



OF CHANGES AND TRANSFORMATIONS

Bangladesh Bank (July 2009-June 2013)



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Editor
Subhankar Saha

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Foreword

I do not claim to have read the manuscript *Of Changes and Transformations: Bangladesh Bank [July 2009-June 2013]* highlighting changes the central bank has gone through in the past four years, but certainly had a cursory look at it. The publication of the book is of great significance at a time when the present government has just completed its four years in office. I welcome this initiative by Bangladesh Bank. I would like to thank Governor Dr. Atiur Rahman and others concerned with the project. The effort put in by the editors and their team of script writers to enrich the volume is certainly praiseworthy. I am extremely delighted to have the opportunity to write few words upon the book.

Here I would like to touch upon the key aspects of the revolutionary changes that I have witnessed in Bangladesh Bank during the past four years. Firstly, digitization has taken place rapidly in the central bank and the whole banking sector was quick to follow suit. Secondly, mobile banking has been introduced and expanded significantly. This process will come its fruition with the introduction of PayPal payment system. Thirdly, revolutionary changes have taken place in CSR. Fourthly, Bangladesh Bank has achieved commendable success in financial inclusion program. Bangladesh Bank's role in involving the mass people into financial activities is undeniable. Finally, the establishment of Currency Museum is a great initiative of Bangladesh Bank.

I would now like to say a few words on the economic condition of the country. Under the visionary leadership of the father of the nation Bangabandhu Sheikh Mujibur Rahman, an independent and sovereign Bangladesh emerged in the world map 42 years ago with a view to achieving political and economic freedom of the Bangalees. To complete the unfinished task of economic freedom of Bangabandhu, present government is implementing the charter of change 'Vision 2021'. As depicted in this vision, state of the art technology and higher growth will be the driving force of Bangladesh economy. Poverty will come down to a minimum level; education and healthcare will be ensured for all; people's creativity and competence will flourish massively. The country

will be a 'Digital Bangladesh' with the innovative use of information technology. Thus along the new journey of development and prosperity, Bangladesh will be turned into a middle income country within 2021.

The present government began its journey on January 6, 2009 with many challenges to face. The global economy was going through turmoil and downturn. Prices of all kinds of goods including food and fuel were on the rise. In order to confront the crisis, present government had undertaken multifarious actions immediately after taking the charge. To build a hunger-free, happy, prosperous, peaceful and digital Bangladesh, the government is working hard for last four years and has remained vigilant in materializing the dream of a digital Bangladesh. The achievements are not insignificant. Although success could not be ensured in implementation of all the promises made in the vision, the journey towards success remains upbeat and un-faltered. The government of Sheikh Hasina has not deviated from the track in implementing the targets set in the vision despite numerous global and domestic shocks. However, the journey of fulfilling the dreams is not smooth. It is not possible either to remove all the obstacles within only four years. In this perspective, government has formulated suitable policies and strategies on the basis of priority to solve these problems. The government's widespread activities are accomplished to maintain macroeconomic stability, increase investment in public and private sectors and reach the level of broad-based inclusive growth. These activities are moving Bangladesh towards progress. After the great liberation war in 1971, most of the international economists had doubt about the possibility of economic progress in war-ravaged Bangladesh. The country was termed as a 'bottomless basket' and 'test case for development'. After 42 years, the socio-economic development of Bangladesh is being praised globally. The image of Bangladesh has increased manifold in the world. Various international agencies have termed this advancement as a great achievement. They are appreciating the economic management of Bangladesh. Our motherland is being viewed as a country of immense prospects now and considered as a role model for development in the world.

Despite global economic slowdown, the economy of the country is in a strong condition today. Every indicator of macro economy remains in the positive side. Bangladesh's economic growth has been keeping pace in line with other emerging and developing countries. Bangladesh is the fifth country among top five of the world in achieving long term growth.

We attained 6.22 percent growth on an average in the last four years. After the assumption in power of present government, the size of revised budget was Tk. 880.64 billion in FY 2008-09 while the original budget in the current FY 2012-13 has increased almost double to Tk. 1,917.38 billion. In the seventies and eighties, the annual development budget of the government was almost fully dependent on foreign debts and grants. In the recent years, this dependence has come down below one-third level. Bangladesh continues to enjoy surplus in the current account of balance of payment. It means that Bangladesh has been able to eliminate the difference between export income and import payments. In the last four years, the average export income was USD 19.8 billion. In volume, it has increased by 2.8 times compared to the same duration of the past government. Alongside export income, average import payments also were USD 28.8 billion in the last four years. In FY2007-08, the export income and import payments were USD 14.1 billion and USD 19.5 billion respectively while in FY 2011-12, they stood at USD 24.2 billion and USD 35.5 billion. This vast volume of export-import proves the capability of Bangladesh economy.

During last four years, 2.04 million people were employed abroad, which is more than twice the number employed by the former government in the corresponding time. Inward remittance was USD 11.3 billion on an average in those four years. Bangladesh set a new record in remittance income in 2012 receiving USD 14.2 billion. Foreign exchange (FX) Reserve has already exceeded the milestone of USD 14 billion in early March 2013 which was USD 5.7 billion only immediately before our government took charge in 2008. Prevailing inflation rate is within a comfortable single digit. Bangladesh is self-sufficient in foods and clothes now. Bangladesh has achieved almost a status of self-sufficiency due to increased productivity in agriculture. In FY 2007-08, the production of food grains was 31.1 million metric ton which increased in FY 2011-12 to 35.2 million metric ton. We have a satisfactory level of food reserve after meeting up the domestic needs. Bangladesh Bank is formulating a balanced monetary policy to curb the overall demands and government is also supporting this in its budget implementation. Domestic production is increasing as credit flow to the productive sectors, particularly term industry credit and SME credit, has been augmented and its proper use has been ensured. I hope that these steps will play a positive role in containing inflation and attaining higher growth.

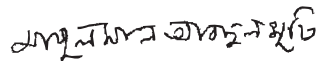
There is no alternative to technology in sustaining socio-economic development. This is why, the present government has set the target of building a 'Digital Bangladesh' within 2021. As a result of the measures taken by the government in these four years, a silent revolution has taken place in the information technology (IT) sector of the country. IT application has been ensured in all the economic activities including banking. This book reflects the fact that Bangladesh Bank has advanced a lot in digitization. All the activities in Bangladesh Bank like banking, recruitment and tendering process etc. are done online. After e-Banking, comes e-Commerce. Automated clearing house, electronic funds transfer, national payment switch have been introduced. About 5 million people are enjoying the benefits of mobile banking service. If the same pace continues, Bangladesh will truly turn into a 'Digital Bangladesh' completely.

In a nutshell, investment, production, export income, manpower export and remittance income have increased in the country. Extensive employments have been generated. Present government has given highest priority to rural and agricultural sector from the very beginning of its tenure. Significant progress has been made not only in crops sector but also in overall agricultural production. The momentum of all kinds of activities in rural life apart from agriculture has created a large market and enormous demand in the country. Rural economy has got invigorated. Inequality between rich and poor is gradually decreasing accompanied by declining poverty rate. Literacy rate, per-capita incomes have increased; growth rate of population has diminished. These advancements in the socio-economic indices have brightened the image of the government and the country in the international arena. And this book is a testimony of the fact that behind these achievements, Bangladesh Bank, as a central bank, has been playing a unique role. The initiatives of Bangladesh Bank, as pointed out in this book, are the successes of Bangladesh Bank i.e. Bangladesh government. Congratulations to Bangladesh Bank.

In conclusion, I would like to say, the bright prospect that has been created for economic freedom of Bangladesh must be continued. We hope to maintain our economic stability and continue with growth rate in future as well. If we would like to improve on the current economic situation and see the country progress further, political stability is desired most. For this, we all have to work together. Considering the new momentum gained in our economy, we have to realign our political

activities in such a way so that our economic growth is not hampered. Competition is fierce in this age of globalization and any impediment to growth is just not acceptable. The people of the country want to see successful implementation of the 'Vision 2021'.

I reckon greater use and publicity of this book will encourage more initiatives like this. My good wishes for everyone associated with the project.



Abul Maal Abdul Muhith
Minister
Ministry of Finance
Government of the people's republic of Bangladesh

Introduction

The present government, in its developmental agenda for a sustainable development, has identified improved technology and higher growth rate as the driving force of the economy. As the central bank of the country, Bangladesh Bank is working persistently to implement a strategy of inclusive and sustainable growth by keeping inflation at a tolerable level, maintaining macroeconomic stability and growth, and managing external and internal risks successfully. This is in line with the dreams and aspirations of 'Digital Bangladesh' to eradicate poverty and initiate social development. A new strategy of Participatory Monetary Policy has thus been adopted. This policy is formulated after intense discussions with researchers, entrepreneurs, former governors and other policy makers.

Mere higher growth is not enough for economic development. In the past four years, Bangladesh Bank has been trying to ensure quality growth to enhance the pace of poverty elimination and reach out to a large number of people at the bottom of the pyramid. In addition to its statutory responsibilities, Bangladesh Bank is working relentlessly to bring a large number of unbanked people into the ambit of financial services to enhance the process of poverty eradication. To accelerate the pace of Financial Inclusion, adequate funds have been made available for agriculture, SME and other environment friendly and productive sectors. Besides increasing the volume of loans to Agriculture and SME sectors, Bangladesh Bank has formulated policies related to Agriculture and SME loans to meet present-day needs. A separate department has been established for the growth and monitoring of the SME sector. As part of the financial inclusion strategy, a unique opportunity has been created for opening accounts with only Tk. 10. The result: about 13.2 million accounts have already been opened. These accounts have been opened by more than 9.6 million farmers and 3.6 million of such account holders who are beneficiaries of different social safety net programs. Refinancing facilities from Bangladesh Bank have also been widened. For the first time, an innovative refinancing facility of Tk. 5 billion for landless farmers/sharecroppers has been initiated.

This refinancing facility for the landless farmers is unprecedented not only in Bangladesh but also in the world.

In order to encourage participation of women, who comprise half of the population, in the mainstream economy institutional loan facilities have been provided with a minimum interest rate in the fields of Agriculture and SME sector. To facilitate banking services to ordinary people of rural areas emphasis is being given to open rural bank branches. Even the banks which have recently been given licenses to operate are required to follow this principle. The Impact of all these initiatives on the rural economy is already evident. For example, rise in agricultural production, higher employment generation, higher real wage, reduction of rural poverty and overall qualitative change in the lifestyle of rural people are testimony to the success of these policies. In fact, signs of resurgence are obvious in the rural economy. As a result, a foundation for strong and inclusive growth has been laid down.

In the last four years, Bangladesh Bank has also been able to make itself the most digitized institution of the country. To establish a completely digital Bangladesh Bank through use of the latest technology, Bangladesh Bank has introduced, developed and implemented broad based Networking, Enterprise Resource Planning (ERP), Banking Application, Enterprise Data Warehouse (EDW), Open Data Initiatives, a highly interactive Website and Intranet, E-tendering, E-recruitment and many other in-house software. In an effort to expedite Anti-Money Laundering and Anti-Terrorist financing activities 'goAML' software has been introduced. Very recently Bangladesh has achieved the membership of Egmont group, an international forum constituted with Financial Intelligence Units of various countries of the world. The banking sector also rapidly welcomes state-of-the-art technology. In recent years, Online CIB Service, Online Banking, Mobile Banking, Online Payment Gateway, E-commerce etc. have been introduced in the Central Bank. To modernize the payment system of the country, Bangladesh Automated Clearing House (BACH) and Bangladesh Electronic Funds Transfer Network (BEFTN) have been set up. Moreover, National Payment Switch has also been initiated to facilitate transactions of different banks from a single platform. Using this facility, cardholders of a bank will be able to withdraw money from the booths of another bank by paying very little additional charges or for free. The cumulative outcome of all these steps is that service, speed and skill in the banking sector of Bangladesh has now been woven into a single thread.

Moreover, transparency in the banking sector has also been increasing steadily. A new dimension has also been added to the supervisory framework. The opportunity to reduce corruption has also been created due to the adoption of all these steps. Online financial service has ensured rapid, transparent and qualitative customer service. To facilitate financial services in remote areas, a bank-led mobile banking service has been introduced. With the help of this innovative service, remittance from abroad and within the country has been made easier and even enhanced. In the meantime, more than 6.6 million mobile banking accounts have already been opened and this number is continuously rising. bKash, a subsidiary of Brac Bank Ltd., alone has opened about 5 million mobile banking accounts while DBBL has 1.4 million accounts. In most cases through the mobile banking services, money is being channelled from urban to rural areas, thereby steering the rural economy towards further development.

Bangladesh Bank has undertaken a strategic plan to establish itself as a world class central bank and enhance efficiency and ability of bank officials to meet future challenges. Each year progress and implementation of this strategic plan is minutely evaluated in the Executive Retreat Program where senior officials meet in an intensive program to exchange their views without interruption for a few days. Experts from outside are also invited to offer their views during the retreat. As a result, officials of all levels of Bangladesh Bank are being constantly equipped to transform themselves, thereby changing the Bank.

To keep carbon emission at a minimum level, Bangladesh Bank has issued circulars and guidelines for compliance for the commercial banks so that a 'Green banking approach' is adopted. Bangladesh Bank itself has been monitoring their compliance rigorously. A model refinancing project of Tk. 2 billion under a "Green Banking program" has been initiated to facilitate green loans with minimum interest rate for generating renewable energy. Already, under this program, Tk. 1.12 billion has been disbursed as a refinancing facility among banks and FIs. Bangladesh Bank is not only directing the scheduled banks to finance in environment friendly programs such as establishment of solar panels, it has set up a 20KW solar panel on its own rooftop. Initiatives are being taken to turn the old buildings of Bangladesh Bank green. Different

initiatives for economic use of energy using rain water and recycling used water are being taken. A solar energy driven irrigation project on commercial basis was inaugurated for the first time at Fultala under Barguna district and is now operating with the financial support of a private commercial bank. Currently about 350 acres of land of this area are being irrigated under the project. If successful expansion of such project in the southern area of the country can be ensured, food production will increase rapidly. A private commercial bank has financed more than 1,000 bio-gas plants with the refinance facility from the central bank.

To establish a stable financial sector and thereby ensure broad-based economic development for the poor, Bangladesh Bank has taken a number of steps to provide them with innovative financial products and services. To transform the banking services into a more humane one, different banks have been encouraged to increase Corporate Social Responsibility (CSR) related activities such as awarding prizes for literature and culture. Besides, Bangladesh Bank has been encouraging banks to allot a part of their profits for different social and cultural development activities such as awarding students scholarships, aiding disabled freedom fighters, distributing warm clothes among cold stricken helpless poor etc. In the meantime, banks have been augmenting their efforts in CSR related activities. Recently a fund of around Tk. 1 billion has been donated to Prime Minister's relief fund from the banking sector to rehabilitate the families of deceased and injured victims at a multi-storeyed building collapse in Savar, Dhaka.

Currently, the remittance income sent by the expatriate Bangladeshis has become the primary resource for economic development of Bangladesh. Average remittance flow during the last four years was USD 12.5 billion. The expatriates' remittance has kept the economy stable and functioning. Now Bangladesh ranks seventh among remittance earning economies in the world. With the increase in remittance income and economic activity, FX reserve has exceeded USD 13 billion for the first time in the history of Bangladesh at the beginning of 2013. It broke the record of USD 14 billion and USD 15 billion at the inception of the months of March and May of the year respectively. Remittance income is playing a pivotal role in poverty reduction and socio-economic development.

With the aim of maintaining stability in the financial sector, Bangladesh Bank has not only been working to maintain price stability but also brought a strategic change in monitoring banking sector through streamlining the prudential regulations in line with international best practices, strengthening legal framework, issuing Risk Management and Stress Testing Guidelines, establishing Financial Stability Department within Bangladesh Bank, publishing Financial Stability Report, taking preparations to implement financial projection model and forming Deposit Insurance Department. Moreover, to settle customer complaints regarding banking services, 'Customer Interest Protection Centre (CIPC)' has been set up in Head Offices and branches and later Financial Integrity and Customer Services Departments have also been established. In the last four years macro-economic stability as well as soundness in banking sector of Bangladesh was achieved due to all these pro-active policy-steps. For consecutive four years (2010-2013) Bangladesh acquired satisfactory and stable Sovereign Credit rating (Ba3 and BB- respectively) in the individual assessment of Moody's and Standard and Poor's.

To raise awareness regarding agricultural credit, SME financing and money laundering prevention and motivate people to remit foreign currency through proper banking channels, Bangladesh Bank organized 'Road Shows' across the country from Teknaf to Tetulia in 2010. To increase foreign remittance flow and to raise investment in different bonds, introduced for wage earners, a number of Investment Fairs and Road Shows were organized abroad as well. Bangladesh Bank has undertaken Financial Literacy Programs to provide financial education to people of all walks.

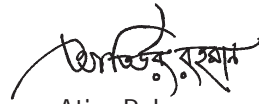
The Bangladesh Bank Award was reintroduced to recognize remarkable contributions in the field of economics. The award was introduced back in 1999. Two distinguished Bangladeshi economists were awarded this prize in 2010 and 2011. Former governors Mr. A.K.N Ahmed and Mr. Lutfor Rahman Sarker were accorded receptions for their outstanding contributions in central banking. Bangladesh Bank takes pride in recognizing well-reputed economists of the country and believes that it will inspire fostering knowledge and intelligence.

Setting up of a spacious 'Taka Jadughar' or Currency Museum and a new branch office in Mymensingh can also be highlighted among the achievements of the Bangladesh Bank in the last four years. Work is in

the final stage for making the museum a modern, technology-oriented, and of international standard. Reputed artists, architects and historians of the country are working together in this project. Bangladesh Bank Training Academy at Mirpur is to house the 'Taka Jadugarh'. The tenth and first branch office of Bangladesh Bank in twenty-two years was opened in Mymensingh in January 2013.

Of Changes and Transformations: Bangladesh Bank (July 2009-June 2013) records the reforms and development works undertaken by Bangladesh Bank in the past four years with a view to taking the country towards attaining inclusive and environment friendly sustainable economic growth, ensuring proper utilization of the innovative power of the masses of the country and adopting strategic plans to bring the poor section of society within the orbit of financial services. The first edition of this book was published in Bengali about six months ago. For this translation into English, the second edition has been followed. I believe readers will get a comprehensive idea of policy reforms and activities undertaken by Bangladesh Bank in the past four years.

I convey my sincere gratitude to the honorable Finance Minister Mr. Abul Maal Abdul Muhith for writing an excellent foreword for the book. I wish to thank Mr. Subhankar Saha, Executive Director of Bangladesh Bank, and members of his publication committee for preparing the contents of the book. And last but not the least, my thanks go to Mr. Ziaul Karim for his excellent editing job with the English version.



Atiur Rahman
Governor
Bangladesh Bank

Editor's Preface

Bangladesh Bank undertook various developmental activities in the past four years (July 2009-June 2013) to transform itself as an IT-based, participatory, humane and welfare-oriented central bank. A five-year Strategic Plan 2010-2014 was also adopted to build a modern, efficient and vibrant banking system in the country. Bangladesh Bank in the past four years has been successfully transformed into a fully digitized institution. Various steps have also been taken to digitize the banking system of the country. By introducing Automated Clearing House and Electronic Fund Transfer Network, the central bank has ensured speedy, smooth, safe and state-of-the-art payment system.

In the last four years, apart from performing statutory responsibilities, Bangladesh Bank has laid emphasis on bringing vast majority of people under financial service through 'Financial Inclusion' programs. To fulfill this objective, Bangladesh Bank patronized widespread loan disbursement in Agriculture, SME and environment friendly sectors. Bangladesh Bank has expanded financial inclusion activities by facilitating account opening for farmers with a mere Tk.10, introducing special refinance scheme for loan facility for the sharecroppers, arranging adequate refinancing facility for the SME entrepreneurs specially women entrepreneurs, ensuring loan at a concessional rate for the root level farmers to promote specific crop production and introducing mobile banking service to reach out financial service to greater section of people of the remote areas of the country. The efficacy of all these initiatives of Bangladesh Bank is quite palpable in our economy. Rural economy now enjoys diversity: rate of employment has increased significantly and so does the purchasing power of rural poor.

Change has also been brought in the supervision of Bangladesh Bank. Multifarious reforms and reorganizations for Financial Sector Monitoring Framework have been undertaken. At the same time, Financial Integrity and Customer Services Department, Financial Stability Department and Bank Supervision Taskforce have been set up. Experienced local and foreign consultants are working together to strengthen supervision activities. Bangladesh Bank is also playing an effective role in preventing money laundering and terrorist financing.


Bangladesh Bank is the first central bank among South Asian countries to take robust steps in Green Banking activities. To protect interest of the customers of the banks 'Customer Interest Protection Centre (CIPC)' has been set up. To introduce humanitarian aspect in banking service, CSR activities of the banks have been brought under institutional framework.

Of Changes and Transformations: Bangladesh Bank (July 2009-June 2013) highlights these reforms and development activities undertaken during the last four years. A detailed picture of the remarkable activities is being depicted in the sixteen chapters of the book. An attempt has been made to use simple and lucid language as far as possible. Efforts have been made to incorporate updated data and information. For relevance and consistency a few issues have been repeated in several chapters. I hope, the annexure of the book will be a good source of detailed information.

We have gone all out to enrich the book with information and make it impressive. Our attempt will only be successful if readers find it interesting. Despite all our sincere efforts, a few mistakes may crop up. I make earnest request to the readers to excuse us for the inadvertent mistakes. I like to mention here that the first edition of Bengali version of this book was published about six months ago. This is the translation of the second edition of Bengali version.

Our sincere gratitude to those who have helped us with data and information during the compilation of the book. I am indebted to Mr. Mahfuzur Rahman, Executive Director for his sincere cooperation. I am also thankful to those who extended all possible assistance in cover design and publication of the book.

At every stage of publication of the book, Governor Dr. Atiur Rahman's inspiration and supervision proved crucial. I am deeply grateful to him. My thanks are also due to the members of the publication and translation committees for their commitment and sincere efforts in putting this book together.



Subhankar Saha
Executive Director

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Participatory Monetary Policy

Bangladesh Bank Order 1972 stipulates formulation and implementation of country's Monetary Policy as the key responsibility of Bangladesh Bank. Monetary policy is a process through which the central bank of a country controls the money supply to maintain economic growth and price stability. This is the combined manifestation of the policies adopted by the central bank to meet the predetermined target and objectives through controlling money supply.

1.1 Monetary Policy of Bangladesh Bank

Bangladesh Bank formulates and implements monetary policy each year, with the aim of achieving highest possible growth of productivity keeping inflation at a tolerable level. Before 2006, Bangladesh Bank used to formulate monetary policy once in a year and publish it in its Annual Report. Besides, as a major component of monetary policy formulation, Bangladesh Bank prepares Monetary, Credit and Reserve Money Programs at quarterly and annual basis and ensures its proper monitoring and compliance. In this regard, an internal Monetary Policy Committee is working under the supervision of the Governor. These programs are sometimes reviewed to deal with unforeseen situations. Bangladesh Bank uses various monetary tools to keep the macro-economic variables related to money supply at the programmed level. Since January 2006, Bangladesh Bank has been formulating the monetary policy and announcing its monetary policy stance half-yearly and uploading the same in its website.

1.2 Participatory Monetary Policy

Monetary policy is a set of policies adopted by the monetary authority i.e. Bangladesh Bank to influence money supply (sum of currency in circulation and bank deposit) in order to achieve price stability, optimum employment and output growth. However, the participatory monetary policy is more dynamic, vibrant and practical as it reflects stakeholder's views and suggestions in addition to the general approach of the policy. Immediately after joining as the Bangladesh Bank (BB) Governor, Dr.

Atiur Rahman has taken initiatives for introducing such a new approach and strategy in formulating monetary policy. Bangladesh Bank has been pursuing participatory monetary policy since January 2010 which has made the monetary policy more realistic and effective. Bangladesh Bank receives practical feedback from the economists, experts and stakeholders through its web page. As a result, unprecedented changes have been incorporated in the monetary policy.



Governor Rahman is sharing his views with the stakeholders and economists in the country before declaring monetary policy

The changes experienced due to the participatory monetary policy are stated below :

- Exchanging views with concerned bodies or stakeholders;
- Adopting indirect control strategy;
- Adopting strategy on policy changes especially in contractionary, expansionary or moderate monetary policy;
- Expanding financial inclusion;
- Discouraging credit facility in unproductive sectors;
- Emphasizing economic stability;
- Finding out the rational strategies to combat the global economic recession;
- Maintaining the steady exchange rate of Taka;
- Keeping inflation at a tolerate level;
- Continuing the growth of economy.

1.3 Goals and Objectives of Monetary Policy

Major goals and objectives of monetary policy are as follows :

- Maintaining internal and external price stability;
- Achieving sustainable growth and development;
- Creating or maintaining high level of employment;
- Ensuring efficient and economic use of resources;
- Bringing stability in financial sector and payment system.

Central bank usually formulates expansionary or contractionary monetary policy considering the country's existing economic conditions and economic goal. Expansionary policy increases the total supply of money in the economy more rapidly than usual; on the other hand, a contractionary policy expands the money supply more slowly than usual or even shrinks it. But in most cases, emphasis has been given on accommodative monetary policy to promote growth rate. Observations of prominent economists and concerned people/institutions are reflected in the monetary policy which is certainly an addition to monetary policy formulation. Participatory monetary policy is a process through which views, wisdom and contribution of monetary policy related experts, priority determination; policy preparation, wealth allocation and right to get public goods and services are manifested. Formulation of monetary policy through participatory process improves the accountability of Bangladesh Bank towards the mass people which contributes in establishing good governance and efficiency in economic development activities.

1.4 Importance of Monetary Policy

A timely and effective monetary policy is the prerequisite of ensuring price stability and economic development. To contribute in a country's economy, monetary policy:

- Influences production in short term and long term;
- Accelerates economic activity;
- Influences short term and long term price level;
- Contributes positively to the factors of production;
- Keeps inflation downward and steady;
- Fosters investment in higher productive labor intensive projects by channeling cheaper and easily available fund through its various policy instruments.
- Provides information for planners as well as investors as per their requirements.

1.5 Exchange of Views

As part of its mandatory responsibility, Bangladesh Bank announces the participatory monetary policy on half-yearly basis taking the views and suggestions of stakeholders into consideration. During the formulation of the policy, opinions are obtained from prominent economists, researchers, former Governors, think-tank, business chambers/elites

and economic reporters from electronic and print media etc. They have given few necessary and rational directions to the monetary authority which have served the interest of concerned people. Moreover, on discussion with the economists and researchers Bangladesh Bank has been inspired to prepare a monetary policy where there is an opportunity to combat the economic challenges through analyzing the macroeconomic indicators.



Governor Rahman responds to queries from media personalities regarding monetary policy

1.6 Recent Monetary Policy of Bangladesh Bank

1.6.1 Second half of FY13 (January-June 2013)

- Attain adequacy in money supply growth in line with real growth target set by the government along with lowering the average annual CPI inflation at a consistent tolerable rate of 7.5 percent;
- Bring down immediately all the prime policy interest rates of Bangladesh Bank i.e. repo and special repo rate by 0.5 percent or 50 basis point;
- Increase upper limit of private sector credit supply at previous rate of 18.5 percent and promote the growth rate of broad money supply to 17.7 percent;
- Use this expansion in money supply to ensure the growth and credit adequacy in productive projects;
- Keep the CPI inflation on a descending trend by discouraging credit supply into unproductive and risky projects which creates asset price bubble;
- Maintain stability and competence of external sector in the economy;
- Ensure adequate and uninterrupted credit facility for industry sector including agriculture and SMEs;
- Be vigilant in maintaining a comfortable level in both FX reserve and balance of payment at the end of the year;
- Limit BB's activities in FX market to a certain level to keep the market based exchange rate of Taka at a moderate level and avoid irregular fluctuation.

1.6.2 First Half of FY13 (July-December 2012)

- Maintain moderate monetary policy in order to reduce the rate of inflation;
- Adopt favorable monetary policy to raise FX reserve through enhancing confidence of foreign investors to boost investment in Bangladesh;
- Promote credit facility in private productive sectors and discourage in unproductive sectors;
- Keep providing adequate credit facility to agriculture and SME sector as actively as before;
- Maintain the pressure to keep the spread (difference between deposit and lending rates) low;
- Build a sustainable FX reserve and adopt policy to carry out a comfortable balance of payments at the end of the year;
- Keep market based and flexible exchange rate of Taka and maintain exchange rate at a required level to avoid unusual volatility.

1.6.3 Second Half of FY12 (January-June 2012)

- Continue efforts to keep inflation at single digit;
- Maintain moderate currency and credit supply growth;
- Ensure necessary loan facility in private sector to achieve inclusive growth as well as to fight against the stress on balance of payments and inflation;
- Continue adequate credit supply in agriculture and SME sector;
- Make the FX reserve sustainable;
- Encourage loan disbursement in private productive sectors while discourage consumer credit and credit facility in unproductive sectors;
- Introduce positive real rate of interest that encourages saving tendency and stabilizes FX reserve as well as exchange rate of Taka restricting import of unnecessary goods and services.

1.6.4 First Half of FY12 (July-December 2011)

- Adopt realistic, moderate and robust monetary policy;
- Discourage loan facility in some unproductive and highly risky investments;
- Ensure required credit flow in productive sectors like manufacturing, agriculture, business and other services;
- Reduce liquidity pressure created through devaluation of Taka, adverse balance of payments condition and mismatch in asset-liabilities maturities in order to relieve pressure on internal credit demand.

- Attract and ensure efficient foreign investment flow in government and private projects in the form of long term credit and equity.

1.6.5 Second Half of FY11 (January-June 2011)

- Adopt accommodative credit policy and program to ensure credit flow to the neglected sectors like agriculture, SME, renewable energy and other environment friendly projects in line with the approach of inclusive economic growth;
- Restrict providing credit facility in unproductive sectors like capital market to maintain the growth of money supply at a proper level under monetary policy;
- Reform the credit policy so that lending in risky and extravagant sectors is channeled to productive and income generating sectors;
- Stabilize the internal market to keep the economy sustainable at highest possible growth rate;
- Raise the money supply in line with the real economy to maintain the food excluded Consumer Price Index (CPI) inflation at minimum and steady level.

1.6.6 First Half of FY11 (July-December 2010)

- Support Government policy and program in diminishing poverty and accelerating inclusive economic growth;
- Keep the commodity price level steady;
- Consider the prudent thoughts and views of experts, dignitaries and stakeholders with importance while issuing monetary policy;
- Rein in inflation expectation of people and economic agents;
- Determine credit supply in productive sectors by discouraging credit flow in extravagant consumption and unproductive sectors;
- Be vigilant in setting policy interest rate and liquidity management to ensure the development of the country;
- Ease out pressures on Taka driven by excess liquidity and inflows through strong investment activities.

1.6.7 Second Half of FY10 (January-June 2010)

- Achieve a highest possible and sustainable growth rate considering domestic and global economic circumstances ensuring tolerable inflation;
- Consult more extensively with the stakeholders before formulating the issue of monetary policy;

- Take into account the views and suggestions from former finance ministers, advisers to the government, bank and financial sector related representatives including expert trade bodies;
- Visit grassroots level people engaged in farming and SMEs.

1.7 Monetary Policy Statement (MPS) of FY 2012-13

Like other central banks in the world, Bangladesh Bank mainly intends to keep inflation at moderate level to maintain the macroeconomic stability through its monetary policy. Besides, supporting the inclusive growth target announced in the national budget is one of the main objectives of MPS adopted by Bangladesh Bank. Considering the prevailing internal and external economic conditions, Bangladesh Bank has issued a pro growth, financial inclusive, moderate monetary policy in H1FY 2013 (July-December 2012) to fulfill these dual responsibilities.



Governor Rahman announces MPS for the second half of FY 2013 with the presence of Change Management Advisor, Deputy Governors and Chief Economist of Bangladesh Bank.

MPS for H2FY 2013 (January-June 2013) has also been announced at the end of January. New policy for loan classification and provisioning has been introduced in order to strengthen the financial sector according to the monetary policy stance of FY13. The policy required the banks to complete the loan classification and provisioning under the new system within December 2012. This step may affect banks' profit temporarily but will not exert adverse impact on overall liquidity and credit supply. Steps have already been taken to reduce the primary dealers' liquidity pressure derived from devolvement in auctions of government securities.

Directions have been given to allocate the 60 percent of the unsubscribed portion to primary dealers (PD) and the rest 40 percent to the 25 non-primary dealer banks. Besides, Islamic inter-bank fund market has been established in resemblance with the call money market for conventional banks to eliminate temporary and short term liquidity crisis of Islamic banks. The spread or difference in deposit and lending rates has been reduced to 5 percent. The pressure to reduce the spread still remains. Particularly the banks with improper spread level are kept under strict vigilance.

The main objective of MPS announced in July 2012 for the FY13 was to keep the growth of internal credit flow at moderate level consistent with the single digit inflation, the uninterrupted and sufficient credit facility to the pro-growth productive sectors and uplift the FX reserve at more relieving state by bringing back stability in balance of payments.

Average annual CPI inflation has been decreased to 8.74 percent in December 2012 from 10.96 percent in February 2012 and it is approaching towards the target of 7.50 percent within the current FY. Food and non-food CPI both have come to a descending order; non-food CPI inflation has been reduced to 8.43 percent in December 2012 from 13.96 percent in March 2012. Inflation in other major sectors except food and fuel are also following a downward trend.

Global productivity growth is projected at 3.6 percent in 2013, in which average growth rate for the developing countries is projected at 5.6 percent while it is 1.5 percent for the developed countries. The projected growth rate of internal credit in monetary policy is adequate to achieve GDP growth of 7.2 percent announced in the national budget. However, in the context of global economic crisis, different groups predict that there is a variety of threats to encounter in attaining this target. According to the forecast of Bangladesh Bank the GDP growth in FY13 will not be less than the average growth rate of previous ten years (6.2 percent), rather may exceed if favorable circumstance prevails.

FX reserve, at the end of December 2012, was USD 12.8 billion (USD1=BDT80 approx.) and was elevated to more than USD 13 billion in January 2013 which is equivalent to four and a half months' import payments. The value of Taka is still showing an upward trend in spite of continuous purchase of USD from inter-bank market by Bangladesh Bank to keep the value of Taka steady against USD. Bangladesh Bank has purchased approximately USD 2.6 billion from the market during July 2012 to January 2013.

Three features were significant to achieve the desired goals of MPS in H1FY 2013. Firstly, 22 percent growth in remittance inflow and the downward import demand robustly increased the net foreign reserve. This increase has brought the expected growth in FX reserve as well as growth in money supply beyond limit. Growth rate recorded in November was 18.6 percent against the upper limit of 16.2 percent in December 2012. Secondly, inter-bank overnight interest rate went down to 12 percent in a year from the high rate of 20 percent in January 2012. Third important feature was that the credit supply growth became slower in government sector and got accelerated in private sector. Credit growth rate was 5 percent in government sector and 17.4 percent in private sector till November 2012.

The main objective of H2FY13 monetary policy stance was to attain adequacy in money supply growth in line with real growth target set by the government along with lowering the average annual CPI inflation at a consistent tolerable rate of 7.5 percent; to bring down all the prime policy interest rates of Bangladesh Bank i.e. repo and special repo rate by 0.5 percent or 50 basis point; to increase upper limit of private sector credit supply at previous rate of 18.5 percent by modifying monetary policy program and promote the growth rate of broad money supply to 17.7 percent. This expansion in money supply will be used to ensure the growth and credit availability in productive projects. At the same time, Bangladesh Bank will be active and alert to keep the CPI inflation on a descending trend by discouraging credit supply into unproductive risky projects which creates asset price bubble.

MPS in FY 2012-13 intends to maintain the stability and competence of external sector in the economy. Therefore, pressures created by inflation and unfavorable trade balance can be encountered along with ensuring the necessary credit accessibility to private sector for inclusive growth. Especially, adequate and uninterrupted credit facility will be provided to the agricultural and SME sector. The MPS is determined to be vigilant in maintaining a comfortable level both in FX reserve and balance of payment at the end of the year. Intervention of Bangladesh Bank in FX market to keep the market based exchange rate of Taka at a moderate level to avoid irregular fluctuation will be limited to a certain level. A moderate MPS as well as thoughtful policy attitude towards government expenditure are the prerequisites to achieve these goals. It is also important to make sure that the government debt from banking sector cannot pressurize the liquidity supply of banking sector.

1.8 Monetary Policy Statement (MPS) of H1FY 2013-14

The average annual CPI inflation target announced in the Budget of FY2013-14 is 7.0% using the 1995-96 base and according to the new base year (2005-06) it is in the range of 6.0-6.5%. The risks to the inflation target stem from likely wage increases in both public and private sectors which will further add to existing aggregate demand pressures; food inflation from possible supply-chain disruptions caused by political unrest; weather related factors affecting agricultural production. BB's current growth outlook for FY14 is that output growth is unlikely to deviate significantly from the last ten-year average of 6.2%



Governor Rahman announces the first MPS of FY 2013-14

provided there are no significant changes in infrastructure sector and other investment activities. This depends upon current and projected trends of several variables like global growth, exports, investments, imports, remittances etc. BB will update its forecasts on a regular basis during the course of the year and the monetary program will also be flexible to accommodate any significant changes.

Improved external balances are reflected in the accumulation of international reserves to over USD 15 billion at the end of FY13, sufficient to cover 4.9 months of projected imports. Key underlying drivers include double-digit remittance and export growth coupled with sluggish imports. The exchange rate of taka against USD appreciated by 2.6% in H2FY13.

BB aims to contain reserve money growth to 15.5% and broad money growth to 17.2% by December 2013. The space for private sector credit growth of 15.5% for December 2013 and 16.5% in June 2014 is well in line with economic growth targets and higher than the average of 'emerging' Asian economies. Government borrowing from the banking system will not crowd out private sector credit as the Treasury Bond of Bangladesh Government has created its demand among foreign investors also. The monetary stance also assumes government borrowing from the banking sector will remain around the FY14 budgetary figure of 260 billion taka.

BB is taking measures for effective transmission of monetary policy especially for strengthening credit and debt markets and this will remain a key focus area for H1FY14. Overall, there is a greater emphasis on improving corporate governance in banks as well as using automation and capacity building to strengthen BB supervision. This monetary policy of FY14 aims to preserve the country's external sector stability and thus mobilize the growth of foreign reserves. BB will continue to support a market-based exchange rate, but at the same time try to fend off foreign exchange rate volatility.

1.9 Challenges in Implementing MPS

Combating the fuel price hike in the international market, sluggish recovery of the US economy from crisis and shock of acute credit crisis in Europe are the major challenges for our economy. However, overall research identifies the following few challenges for monetary policy-

- Reduce the inflation to 7.5 percent in line with the budget target;
- Provide adequate credit facility to sustain rising growth of output;
- Manage the balance of payments pressure caused by the paucity in foreign grants and fuel price hike;
- Explore alternative external financing sources;
- Maintain the secured foreign currency reserve to enhance the external contribution to the economy;
- Keep the internal credit growth within the projected target;
- Sustainable means to meet liquidity demand;
- Continue to discourage credit facility to unproductive private sectors;
- Ensure uninterrupted adequate credit flows to under-served productive sectors like agriculture and SME;
- Reduce the difference between deposit and lending rates or spread.

In formulating participatory monetary policy, Bangladesh Bank is trying to engage all of the stakeholders so that an appropriate and efficient monetary policy can be formulated. The current practice of formulating participatory monetary policy is, therefore, considered to attain the ultimate goal of monetary policy to help achieve sustainable higher economic growth and keep inflation low and stable. This prudent strategy of MPS issued by Bangladesh Bank has already been proved to be effective. Despite the global recession, inclusive growth trend in Bangladesh has been possible to maintain. In addition, the inflation rate has been brought down to a single digit. Bangladesh Bank is committed to carry out continuous research and review on monetary policy in order to continue this trend in future as well.

Strategic Plan of Bangladesh Bank and Human Resources Development in Banking Sector

There is no alternative to human resource development in maintaining the recently achieved changes and success trend in banking and financial sector in Bangladesh through building a skilled manpower and establishing themselves at the highest standard. In the last four years Central Bank Strengthening Project (CBSP), Bangladesh Bank Training Academy, Bangladesh Institute of Bank Management (BIBM) and the Institute of Bankers Bangladesh (IBB) have taken different creative and developmental programs in addition to their regular activities which have played a significant role in enhancing capability and professionalism of the employees of Bangladesh Bank, all commercial banks and FIs.

2.1 Central Bank Strengthening Project (CBSP)

As a part of modernizing the organization towards human resources development, training courses have been provided under CBSP to 75 officials on Advanced Certificate Course on HRMS under the technical assistance of Institute of Business Administration (IBA), University of Dhaka, which was financed by World Bank. Special training courses have been offered to 250 officers by Bureau of Economic Research of Dhaka University and to 200 officers by British Council. A total of 37 officers (second batch) have already completed Professional Course on Banking and Finance jointly conducted by Asian Institution of Technology (AIT) of Thailand and University of Applied Sciences Northwestern.

Emphasis has been given on various domestic and foreign trainings in order to build a skilled manpower in Bangladesh Bank. In last four years, 1500 employees of the bank participated in foreign training programs. In 2012, 3250 employees participated in local training from different institutions and 671 employees attended foreign training. Many officials have obtained Masters and PhD from abroad. All the officials are getting laptops along with intranet and internet connections. Setting up of cubicle chambers in every department of head office is under quick completion to beautify the working environment. Cubicle chambers will also be established at branch offices gradually. It is undoubtedly a

significant change that expert central bankers are working with laptops at their modern cubicle chambers.

As a regulatory body, Bangladesh Bank needs skilled manpower to keep discipline and stability in the sectors and sustain the changes brought about in the sector and successes achieved. Human capital development is done through higher education and training. Bangladesh Bank for the first time has launched e-learning program for human resource development ensuring the maximum use of digital technology. Governor Dr. Atiur Rahman inaugurated the program for the bank executives on 25 March 2013. In the first phase, 500 officers of Bangladesh Bank were enrolled for a one-year online course conducted by the Foundation Knowledge Centre.



Governor Rahman inaugurates e-learning program

Participants will be provided online training on various subjects like Institutional and Business Communication, Business Behavior, Presentation Skill, Management and Leadership Qualities, Team Building and Management, Accounting, and IT with the technical assistance of an international standard organization Core Knowledge Limited. This course will hone the professional expertise of the central bank officials at a practical level. Subsequently many other officials will be enrolled in this online training.

Apart from this, like Masters in Bank Management (MBM) under BIMB, scholarships for evening MBA at IBA are also being provided to the Bangladesh Bank officials in order to promote knowledge based working environment. Process is underway to create similar facilities in different universities of both home and abroad. Bangladesh Bank and Bank of

Thailand have signed a MoU on Twinning Arrangement under which both the central banks will work for enhancement of mutual development assistance and potentials in different fields till 2014. Necessary steps have been taken to build BBTA as an international standard center of excellence.

2.2 Strategic Plan of Bangladesh Bank 2010-2014

As per decision of the Executive Retreat held on 13 -14 November 2009, Bangladesh Bank adopted a five-year strategic plan (2010-2014) in order to build a technologically advanced and modern financial sector with the aim of serving the people at the highest level of proficiency and precision.

To comply with the steps taken to ensure change and overall development of Bangladesh Bank, modified vision and mission statements along with a total of 17 Strategic Plans, 56 Objectives, 157 Action Plans and Key Performance Areas have



Governor Rahman delivers speech at Bangladesh Bank Executive Retreat held at BRAC-CDM on 12-14 January 2012

been identified for implementation. Besides, five Core Values have been adopted to imbibe an ethical attitude in bank officials. As strategic planning is a continuous process, a Strategic Planning Unit (SPU) has been established to carry out the implementation activities.



Senior Executives of Bangladesh Bank on an Executive Retreat pose for a photograph

Executive Retreat-2013

The sixth executive retreat of Bangladesh Bank was held during 5-6 July 2013 at a hotel in the city. Inaugurated by Governor Rahman, the two-



Governor Rahman speaks at the Executive Retreat on 5-6 July at a hotel in the city

day retreat entitled 'Strategic Planning Workshop: Moving towards Excellence' was attended by the deputy governors, executive directors and all general managers of the Bank. Executive directors Subhankar Saha, Md. Ebtadul Islam, S. M. Moniruzzaman and Mohammad Nawshad Ali Chowdhury presented an

implementation review report for Strategic Plan 2010-2014 based on the feedback received from different departments and branch offices of the central bank.

Professor Dr. Golam Samdani Fakir, Vice Chancellor of Green University, conducted a session on 'Team approach and Leadership Building' and Director General of BIBM Dr. Toufic Ahmad Choudhury spoke on the issue of team approach and leadership.

On the second day, Dr. Mohammed Farashuddin, former governor of Bangladesh Bank, gave a session on 'Banking Supervision: Emerging Challenges and Evolving Tools.' ABB chairman Md. Nurul Amin, former managing director of Sonali Bank Mohammad Hossain and Banking Supervision Advisor of BB Glenn Tasky also spoke at the session. Participating officers had a break-out session on Strategic Roadmap for 2014-18.

Change Management Advisor and Chief Economist of Bangladesh Bank Md. Allah Malik Kazemi and Dr. Hassan Zaman also spoke on different issues. Firm commitment to build BB as a humane and international standard central bank with developed supervision framework was echoed in the retreat.



A section of the senior executives of Bangladesh Bank with Governor and Deputy Governors at the Executive Retreat on 5-6 July 2013

The following 17 strategic plans have been identified to transform Bangladesh Bank into a visionary and modern central bank:

- Review the present MPS to ensure the continuing effectiveness of monetary policies;
- Strengthen the regulatory and supervisory framework to enhance resilience and stability in the financial sector;
- Enhance depth of financial markets in Bangladesh;
- Broaden financial inclusion and financial access;
- Strengthen reserve management capabilities;
- Improve regulatory and supervisory framework against money laundering;
- Introduce separate and comprehensive guideline and supervision for Islamic banking;
- Make internal debt management by the government more effective;
- Streamline and transform data reporting, processing and dissemination through full-fledged ICT framework;
- Full automation of Credit Information Bureau (CIB);
- Enhance the legal empowerment of Bangladesh Bank in different functional areas;
- Attract, retain and develop workforce for ensuring sound organizational development;
- Strengthen risk-based internal audit process to add value to the risk management process in Bangladesh Bank;

- Promote Corporate Social Responsibility (CSR) activities and preparedness for climate change in Bangladesh with conducive policy support;
- Develop effective channels for communicating central bank's policies and initiatives to stakeholders to enhance effectiveness of implementation;
- Establish a 'Strategic Planning Unit' as a process owner of Bangladesh Bank strategic plan.

Execution of this strategic planning is analyzed through organizing retreat program every year. The top level officials are able to discuss among themselves on the issue for few days in retreat. External specialists are also being engaged in this process. As a result, employees of every level in Bangladesh Bank are feeling a renewed urge for a positive change.

2.3 Bangladesh Bank Training Academy (BBTA)

Bangladesh Bank Training Academy has been conducting regular training programs on contemporary issues for Bangladesh Bank, all state-owned and private commercial banks and FI officials at its well extended and modern facilitated building. Training programs have got tremendous qualitative and quantitative improvement with advanced facilities for the member faculties by providing laptops, setting up IT lab, air conditioned class rooms, ceiling mounted projector, video conferencing etc. Facility to conduct sessions through video conferencing by higher authority has been introduced. In addition to the foundation training course offered for the newly recruited assistant directors, a field visit experience titled "Journey towards Farmers and SME Entrepreneurs" has added a new dimension. An international training on rural development and agricultural credit has been arranged for trainers.

A two-week long training course jointly conducted by Dhaka University and Institute of Modern Language on Communicative English and a special training on information technology have been started. Bangladesh Bank has already finished study tours in India, Sri Lanka, Thailand and Malaysia under technical assistance of IFC. Besides, it is also arranging training programs for students of Bangladesh Navy, PATC, BIBM and Dhaka Commerce College. BBTA is working towards capacity building and human resources development under the Integrated Support to Poverty and Inequality Reduction through Enterprise

Development (INSPIRED) Program financed by European Union. It publishes academic calendar annually. It is also going to release a journal namely "Thought on Banking and Finance".

2.4 Bangladesh Institute of Bank Management (BIBM)

Bangladesh Institute of Bank Management (BIBM) is a national level institute that provides training to mid level and high level bankers, conducts post graduates program on banking, carries out research initiatives and counseling on banking and financial sector. BIBM is run by a board of directors headed by Governor of Bangladesh Bank and financed by the banking sector in Bangladesh.

Teaching, training and research activities in BIBM have made significant development in last four years. BIBM has already turned into a dynamic, full-fledged educational institute from a conventional training academy for banking sector. The institute is capable and well-prepared to focus on providing necessary training, post graduation course, policy study and consultation. In near future, BIBM is expected to become the centre of excellence in financial sector both at home and abroad.

BIBM started 'Research Workshop' for the first time in academic calendar 2010. In this kind of training framework, a group of researchers of the institute firstly presents detailed results derived from a research study on a complex banking matter before the applied bankers for discussion in a brain-storming session. Later, the result of research is finalized on discussions between researchers and experienced bankers. This certainly is a tool for solving bankers' problems. BIBM conducted a total of 18 research workshops till 2012 and launched 'Review Workshop' from academic calendar year 2012. In this training format, a group of researchers and applied bankers jointly perform research on six important activities of banking in Bangladesh. Papers from the research workshops are compiled from 2011 named 'Banking Research Series'. An annual publication captioned as 'Banking Review Series' is published from 2012. This is a collection of research papers from the research workshops conducted by BIBM. Research project reports conducted by BIBM faculty members are published since 2010 as research monogram. Publication of BIBM titled 'Bank Parikroma' has been regularized with double blind peer review and has been included in Cable Directory.

BIBM has been expanding its consultation services to international level since 2010. As per contract between BIBM and the central bank of Afghanistan, BIBM has been assigned with the responsibility to increase the capacity of AIBF under the World Bank financing. It has already started various training programs in Kabul and conducted a three-week long training program for Afghan bankers at BIBM campus in 2011.

BIBM introduced Annual Banking Conference from 2012 to develop the higher research and academic assistance among banker and relevant department/faculty of universities. Faculty development fund has been created through which faculty members are sent abroad for higher training and development programs every year.

Capacity building program for BIBM is operating under 'Integrated Support to Poverty and Inequality Reduction through Enterprise Development (INSPIRED)' financed by European Union. Educational environment has been developed significantly by setting up modern class room, connecting online library facility, managing healthy residence facility etc. BIBM is going to establish a very modern auditorium and a hostel of international standard very soon to attract foreign students and participants. In last four years BIBM has achieved three international awards. These are 1st and 3rd Asia's Best B-School Leadership Award presented by CMO Council (Singapore), Education Leadership 2012 Award presented by Knowledge Resources Development and Welfare Group (KRDWG) of IIT Delhi, India.

BIBM has initiated half-day workshops on different complex issues of the country in divisional towns where zonal heads of BIBM member banks participate. Besides, different research workshops, review workshops, policy based study results and analyses are included to training module tools for a more practical, realistic and need-based training program in future. Research based write-ups on achievement and development of Bangladesh economy in 40 years of independence written by eminent policy makers, researchers and professionals are going to be published very soon in the special edition of Bank Parikroma.

MBM and EBM certificate from BIBM used to be issued under Centre for Post Graduate Studies (CPGS) of National University since 1997. Now it has been brought under Dhaka University and the centre has been

renamed Dhaka School of Bank Management (DSBM) offering the same previous degrees. Two 'Chair Professor' posts have been created in BIBM to honor late Professor Dr. Muzaffar Ahmed of Dhaka University and ex- deputy governor late A. K. Gangopadhyay for their extraordinary contributions in banking sector of Bangladesh. Khandker Ibrahim Khaled and S. A. Chowdhury, two renowned bankers of Bangladesh have already joined these posts.

2.5 The Institute of Bankers, Bangladesh (IBB)

IBB has restructured the whole syllabus of banking diploma examination JAIBB and DAIBB and is updating text books according to the new syllabus. Banking diploma examination system is now completely automated where writing of software containing bar coding system is going on. Initiatives have been taken for online registration in banking diploma examination instead of the traditional procedure of filling up forms. Besides, in order to enhance the institutional capacity building, organogram is changed to a new modernized and realistic structure from the old promotion policy. Journal publication of the institute has been regularized. A fund of Taka 300 million has been created by central bank and member banks and FIs to buy land/office space for the institute.

Financial Inclusion

The principal responsibility of Bangladesh Bank as a central bank of the country is to maintain the price stability, regulate and supervise the financial sector and above all to sustain financial sector stability along with ensuring economic growth and development through proper use of productive resources at national interest. For last four years, Bangladesh Bank has been working to attain expected economic growth through mass participation as well as to emphasize on bringing the large population under banking services i.e. special attention has been given on financial inclusive programs along with financing in agriculture, SME and environment friendly sectors in order to achieve inclusive economic growth and to support government initiatives in poverty reduction. Poor and the people of remote areas are usually deprived of the banking service as commercial banks are busy with their wealthy clients from town. Bangladesh Bank has introduced a new concept to encourage banks' spontaneous participation in providing banking service to this deprived section of people. This concept is being appreciated day by day and banks have been putting efforts willingly to bring the banking service at the doorsteps of the people who don't enjoy banking facilities. People like sharecroppers, women entrepreneurs, marginal farmers, who did not get access to credit before, are now getting credit facilities; banking service is expanding among mass people.

Bangladesh is much ahead in financial inclusion index due to the steps taken so far. According to the report recently published in financial inclusion database of World Bank or 'Global Index', Bangladesh holds the second position among the South Asian countries in financial inclusion index leaving Sri Lanka at the top. Bangladesh's position is better than India and Pakistan. 40 percent of adults have bank accounts in Bangladesh. If mobile banking and 10 Taka accounts facility for farmers and others are considered, the achievement of Bangladesh will be even more than 50 percent. This percentage is 69 in Sri Lanka, 35 in India and 10 in Pakistan.

3.1 Agricultural Credit Program

Agriculture sector plays a very important role in Bangladesh economy. It is one of the most prioritized sectors for the present government. The

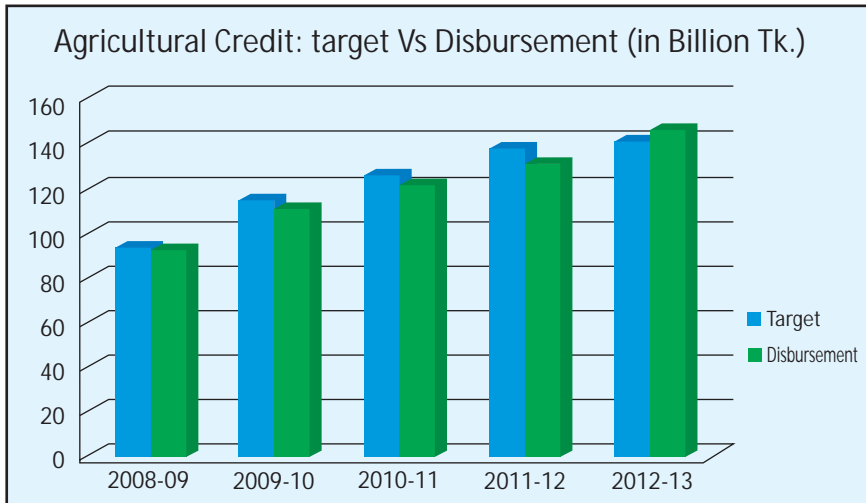
GDP depends immensely on the agricultural production. The contribution of agriculture in GDP sector is almost 19 percent. Various agriculture friendly initiatives by government and significant amount of agricultural credit disbursement by banks helped the agricultural production to reach the expected target and maintain the average annual growth of GDP for last three years at 6.26 percent. All the creative people along with farmers, labors and small women entrepreneurs have contributed in achieving this growth. The overall economic development of this country mostly depends on the development of agriculture. In ensuring food security, generating new employment and eradicating poverty there is no alternative to developing strength and efficiency of agriculture and rural sector. Role of agriculture is vital in domestic market expansion and because of it Bangladesh has done better than many other countries in facing global recession. Besides, agricultural credit is playing a significant role towards Bangladesh Bank's MPS implementation i.e. controlling food inflation while mitigating existing supply shortage.

Most of the farmers are incapable to invest in agricultural sector. Considering this, it is necessary to provide required credit facility to the actual farmers timely. To provide adequate agricultural credit to the farmers including marginal farmers and sharecroppers, Bangladesh Bank announces agricultural and rural credit policy and programs every year as well as implements those through the scheduled banks.

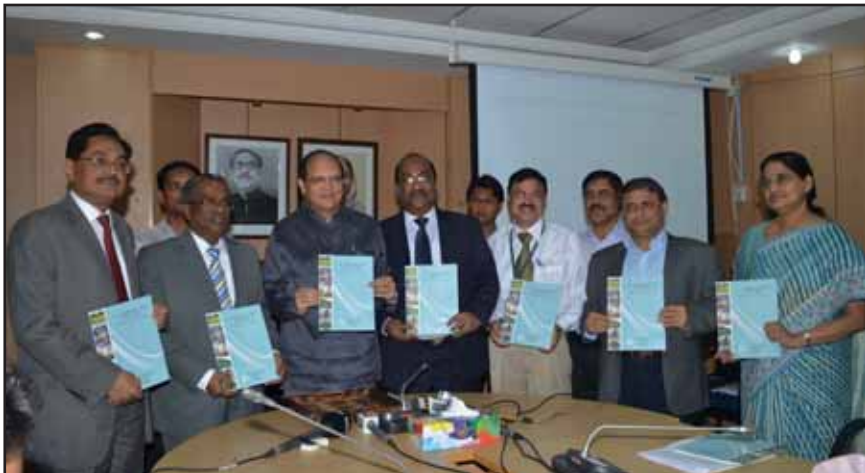
Qualitative changes have been brought in credit disbursement process as well as facilities have been increased in agricultural credit. Especially, monitoring of Bangladesh Bank has been strengthened in disbursing agricultural credit transparently, hassle-free and timely. Priority is given on credit supply to women in agriculture to increase the women participation. Emphasis has been given on development of marketing facilities for agricultural products so that the fair price of agri-products is ensured. Priority has been given for distributing agricultural loan to relatively impoverished and neglected areas such as char (island), haor and coastal areas. State-owned commercial banks as well as private and foreign banks are disbursing minimum 2 percent of their total loans in agricultural sector.

Bangladesh Bank announces 'Agricultural and Rural Credit Policy and Program' at the beginning of new FY. It undertook and implemented various programs and initiatives in last four years for agricultural sector development. Disbursement of agricultural credit stood respectively at Tk. 92.84 billion (USD1=BDT80 approx.), Tk. 111.17 billion, Tk. 121.84 billion,

Tk. 131.37 billion and Tk. 144.67 billion during the last five fiscal years (2009-13). In FY2012-13, disbursed agricultural credit was 4% more than the target. The target set for agricultural credit disbursement for the current FY (2013-14) is Tk. 145.95 billion which is the highest ever.



Fixing this record target for agricultural credit disbursement, Governor Dr. Atiur Rahman announced 'Agricultural and Rural Credit Policy and Program' for FY 2013-14 in the Bankers' meeting held on 23 July 2013. Along with the active banks of past FYs, six newly licensed private commercial banks will also participate in agricultural credit disbursement in the current FY. In the new Agricultural Credit Policy,



Governor and Deputy Governors at the Bankers' meeting on 23 July 2013 with a copy of Agricultural and Rural Credit Policy and Program for FY 2013-14

credit limits for different crops have been increased as required. Financing in several fields like coastal fishery, preservation and marketing of agricultural goods, production of organic (Vermicompost) manure, environment-friendly agricultural initiatives etc. has been included in the agricultural credit. Credit rules were issued for cultivation of some new fruits and oil-palm and incorporated in the agricultural credit activities.

3.1.1 Disbursement of Agricultural Loan Publicly

Bangladesh Bank has given instruction to banks to disburse agricultural loan openly in the presence of local representatives from union, concerned agriculture officers, teachers and other respected persons to ensure transparency in the disbursement procedure. Accordingly the banks are taking initiatives to disburse agri-loan publicly. In FY 2009-



Governor Rahman disburse loan publicly at Rupdia in Jessore, arranged by Sonali Bank Ltd.



Governor Rahman disburse loan at a farmers gathering at Tongibari in Munshiganj arranged by National Bank Ltd.

2010, Tk. 3.83 billion was disbursed to 225,000 farmers through 10,967 open loan disbursement programs, at the same way, Tk. 4.17 billion to 200,000 farmers through 11,257 open loan disbursement programs in FY 2010-11, Tk. 2.24 billion to 112,000 farmers through 7,683 open loan disbursement programs in FY 2011-12 and Tk. 4.48 billion to 150,000 farmers through 11,284 open loan disbursement programs in FY 2012-13. During his tour in the remote areas of the country, Bangladesh Bank Governor Dr. Atiur Rahman was present at several of this open agricultural loan disbursement programs organized by different banks. Therefore, transparency has increased in distributing agricultural loan to the core farmers of the country.

3.1.2 Supervision of Agricultural Credit Program

Bangladesh Bank has strengthened its monitoring mechanism alongwith bringing qualitative changes in agri-loan disbursement procedure so that

farmers get their desired loan timely in a transparent, hassle-free way and are able to produce expected level of crops by using this facility properly in order to build a sustainable agriculture sector.



Governor Rahman visits baukul plantation at Boroichara in Iswardi financed by Agrani Bank Ltd.



Governor Rahman visits a hatchery in Trishal, Mymensingh

As part of this, Bangladesh Bank has utilized the existing countrywide mobile network and kept record of cell phone numbers of farmers. Offsite and onsite supervision are conducted through collecting weekly/monthly agricultural loan statement from the banks. Monthly and bi-monthly meetings are being held by Bangladesh Bank with the banks on progress of agri-loan disbursement, achievement of target, transparency in loan disbursement and ensuring the qualitative standard, implementation progress of development program on agricultural credit policy. Representative from each bank has to attend the district agriculture committee meeting. Bangladesh Bank officials are visiting the farmers frequently, collecting up-dated information, interacting with other stakeholders such as bankers, agriculture officers and renowned persons of the region.

Not only the Bangladesh Bank officials, Bangladesh Bank Governor himself also visits some agriculture projects located in remote areas in different places of the country every now then. He also talks to the farmers directly through video conference from his office desk and investigates about agriculture loan facility. Customer Interest and Protection Center (CIPC) has been established at head office as well as at branch offices of Bangladesh Bank recently with the hotline of 16236. On the basis of complaints received on agricultural and rural credit, Bangladesh Bank is taking necessary steps which will continue in future.

3.2 Special Loan Facilities for Sharecroppers

A major section of our rural people is sharecropper. Many of them haveno cultivable land of their own. From the information of agriculture

sample survey in 2005 it has been found that out of 15 million farmer households in our country, 7 million are sharecroppers. They cultivate 55 percent of total cultivated land (source: agriculture survey-2008). Country's existing banking channel does not provide collateral free loan. Apart from this, these sharecroppers, the large proportion of our farmers are deprived of the access to bank loan since long due to the absence of bank branches in our rural areas. They do not have any savings accounts at banks either. On the other hand, Micro-credit FIs (MFI) give priority to women farmers which leaves the sharecroppers deprived from micro-credit. They are incapable of using improved technology with cultivating equipments in harvesting season due to lack of money. They are then compelled to receive loans from non-formal source of society like rural usurer, money lender at very high interest rate. They become penniless losing even their last resource i.e. ploughing bull and dwelling place when they fail to repay the loan on time. If it is possible to provide the agricultural credit in time at an easy process and low interest to the sharecroppers, in one side they will be benefited, on the other hand, by providing fund timely to agriculture sector, desired result in agricultural production will be possible and finally, inclusion of greater community in financial services will be speeded up.

3.2.1 Initiatives by Bangladesh Bank for Sharecroppers

In order to deliver collateral free agri-loan in easy terms and low interest at the doorsteps of country's landless, marginal and unbanked deprived sharecroppers, Bangladesh Bank, for the first time, has introduced a special loan scheme of Tk 5 billion for sharecroppers and BRAC, a non government organization (NGO), has been employed as the disbursing authority. In this regard a participation agreement between Bangladesh Bank and BRAC has been signed on 02 September 2009. According to the agreement, Bangladesh Bank will refinance TK. 5 billion to BRAC from which Tk. 4.5 billion will be disbursed on short term for crop cultivation and Tk. 0.5 billion on medium term for purchasing agricultural equipment. The tenure of the short term loan will be maximum 01 (one) year and that of the midterm loan will be minimum 01 (one) year and maximum 03 (three) years. BRAC disburses loan on a group security basis among the sharecroppers under the refinance scheme. The groups are created separately for male and female. Besides providing loan, necessary advices have been provided for using requisite technology. Government Agriculture Extension Officials have been engaged in this program.

The sharecroppers, who have not taken agri-loan from banks, will be eligible to get loan under this scheme. The farmers, who have more than 2.47 acre cultivable land, will not be considered eligible. BRAC is

providing self financed technology related information to the sharecroppers and if required it is engaging agriculture extension officers in the program. In this procedure, BRAC can fix the interest rate maximum at 10 percent. This loan will not be concentrated in any specific area. For identification, the sharecroppers have to submit National ID cards, certificates from land owners or local renowned persons.

In primary stage, three hundred thousand sharecroppers of 172 upazillas in 37 districts who were previously excluded from bank credit have received loans for 3 years for cultivation and purchase of agricultural equipment under this special credit program managed by BRAC. BRAC has already disbursed Tk. 5.12 billion among four hundred and thirty two thousand sharecroppers in 225 upazillas under 42 districts till June 2012. The recovery of this loan is also very satisfactory. Tk. 3.97 billion has been recovered till 31 January 2013.

The sharecroppers are getting the actual benefits by receiving agri-loan at easy terms under this special credit program. There is a positive impact on their living standard and the real base of participatory growth is expanding through this program. The term of this credit program has been extended from July 2012 to June 2015 for three years after it ended on 30 June 2012 as it is playing a vital role in poverty alleviation of the sharecroppers. At this stage, five hundred thousand sharecroppers who are out of the financial services in 250 upazillas of 48 districts will get the loan facility for cultivation and purchasing agricultural equipment. Up to 30 June 2013, Tk. 9.62 billion was distributed to about seven hundred thousand sharecroppers from the inception of the program. A significant portion of these sharecroppers is women farmers.

Banks are directed to provide single and group based loans to



Governor Rahman addresses the inaugural ceremony of group based collateral free credit disbursement for landless and sharecroppers at Kachikata, under Gurudashpur thana in Natore

sharecroppers under agricultural and rural credit policy and program other than the mentioned program. Accordingly, the SCBs are providing agri-loan to sharecroppers separately. Tk. 4.31 billion among three hundred and seventy five thousand sharecroppers in FY 2009-10, Tk. 7.44 billion among four

hundred and twenty five thousand sharecroppers in 2010-11, Tk. 10.86 billion to more than five hundred thousand in FY 2011-12 and in FY 2012-13 Tk. 11.06 billion to 450,000 sharecroppers have been disbursed.

3.2.2 Sharecropper Development Project

BRAC has named their sharecropper development project as 'Barga Chashi (Sharecroppers) Unnayan Project' (BCUP). BRAC has undertaken this project apart from its micro-credit program. The sharecroppers who are listed in BRAC's micro-credit or other MFIs are not eligible to get loan from this project. There has been provision in the regulation to ensure that only the farmers, who are out of financial services, will get this facility.

Loan amount per person is almost Tk. 13,500. BRAC keeps 5 percent of the loan as security deposit and refunds the same into the client's savings account after the loan is repaid completely. This loan tenure is limited between 6 to 10 months usually and 10 percent interest rate (flat rate) is imposed. The sharecropper has to pay 30% of loan amount with interest in 6-9 monthly installments and the rest 70% by 2 (two) equal installment after harvesting. BRAC submits statement of loan disbursement and refinance claims to Bangladesh Bank.

3.2.3 Evaluation by Professor Abdul Bayes on BCUP

Eminent economist Professor Abdul Bayes conducted a survey at the end of 2011 on the special credit project for sharecroppers undertaken by Bangladesh Bank and executed by BRAC. He interviewed 400 sharecroppers from 7 divisions of the country for the survey. On evaluation of the project he has mentioned in his survey report that sharecroppers received Tk. 14,000 each on average, 80 percent sharecroppers cultivated high yield variety paddy and harvested 2-2.4 metric ton per acre which is almost twice the previous harvest of 1-1.2 metric ton per acre. Ninety Five percent sharecroppers repaid the loan in time. Ninety percent sharecroppers said that their financial condition had been better with the credit facility. They also said that they used to borrow money from money lenders at an exorbitant rate (10 percent monthly) for cultivation before this credit facility. In few cases, they had to pay Tk. 8,000 or 400 kilogram paddy as interest against loan of Tk. 10,000 for three months. The most appreciative feature of this program, as recognized in the survey, is that sharecroppers could avail the loan within 21 days of being a member of the group.

3.2.4 Sharecropper Credit Program Monitoring

Effective regulatory and monitoring system has been pursued by Bangladesh Bank so that the fund is recovered in scheduled time and the objective of this project is fulfilled. With this aim, Bangladesh Bank officials have conducted a survey among 700 sharecroppers in 35 upazillas under 35 districts. The survey revealed that most of the sharecroppers had got institutional loans for the first time, and using this credit facility they could purchase agricultural equipments in time. Surely this program has relieved them of taking loans with high rate of interest from informal sectors. As the agriculture development officials are engaged in this program, farmers have also got technological support from them. This program has been helpful for the sharecroppers to be financially solvent. This timely loan amount is helping them to be benefitted through selling harvested crops at better price. Their social status is getting uplifted. Citing the positive aspects of this scheme they strongly demanded for its continuation.

3.2.5 Reception of Sharecroppers

Bangladesh Bank and BRAC jointly organized a grand reception program for the sharecroppers on 30 December 2010 at Army Stadium in Dhaka for the first time in the history of Bangladesh. About nine thousand sharecroppers from different parts of the country attended the reception program where significant portion of them were women. They felt honored to attend the program. A total of fifteen farmers including four women were awarded in recognition of their contribution in respective fields.



A women sharecropper receives certificate from Finance Minister Abul Maal Abdul Muhith and Agriculture Minister Matia Chowdhury at the Reception Program of Sharecroppers 2010

We must respect our farm workers who are supplying our food grains by working hard in sun and rain. The sharecroppers who cannot grow crops due to lack of fund should receive agri-credit timely. BB's refinancing scheme has reduced the fund crisis of the sharecroppers. As a result they can now produce more crops and concentrate on raising their personal savings. Thus their economic condition is improving and the tendency of migration to the urban area is declining. Bangladesh Bank has a plan to expand the size of the fund in order to provide agri-credit to every sharecropper of the country. Bangladesh Bank hopes that other MFIs like BRAC will come forward and engage themselves in the development process of the country by teaming up with the great efforts of BB.

3.3 Credit for Women Engaged in Agriculture

Almost half of the population of the country is women. Ensuring women participation in mainstream development and creating opportunities for women entrepreneurs in order to attain sustainable economic growth are essential. So it is very important to turn women engaged in agriculture into human resources by engaging them with agriculture and related income generating activities. In agricultural and rural credit policies, Bangladesh Bank has advised all banks to provide loan to women for production of crops, processing of agro-based product and small business activities related to agriculture like gardening, nursery, post harvest activities, seed production and preservation, bee keeping and honey harvesting, food processing, fishery and livestock development. In FY 2011-12, banks disbursed agricultural credit of about Tk. 7.35 billion among 320,000 women and in FY 2012-13 about Tk. 12.45 billion among 445,000 women.

3.4 Agricultural and Rural Development Supportive Program

The poorest area in Bangladesh is the north-west region. Most farmers in this agro-dependent region produce paddy, market price of which is relatively low. The first phase of ADB funded Northwest Crop Diversification Project (NCDP) ended on 30 June 2009. This project was taken in order to eradicate poverty in this poor region through introducing cultivation of high value crops (vegetables, fruits, various flowers, spices, oilseeds etc.) instead of traditional crops.

With the continuation of the project, as per the conditions of loan agreement Tk. 600 million has been disbursed among 186,000 root level farmers (among them 60 percent are women) for producing high value

crops through 4 MFIs in 61 upazillas of 16 districts of Rajshahi and Rangpur divisions from Bangladesh Bank's Tk. 1.74 billion revolving fund under Rajshahi Krishi Unnayan Bank (RAKUB)'s wholesaling management. Considering the success of NCDP, another ADB financed project named Second Crop Diversification Project (SCDP) has been undertaken. Within the scope of this project, selection of MFIs for the project has been completed and under wholesaling management of Eastern Bank Ltd. and Basic Bank Ltd. loan disbursement among the eligible farmers has been started through BRAC. In this sector \$26 million equivalent about Tk. 1.75 billion has been allocated. Under this project Tk. 625.8 million has already been released to BRAC through two wholesale banks. Up to June 2013, the banks provided credit facilities to 50 thousand farmers.

3.5 Distribution of Agricultural Credit at Concessional Rate

Bangladesh Bank is operating and supervising two special credit programs under the interest compensation scheme of the government. One of them is credit program at 4% concessional interest rate for growing import dependent crops like pulse, oilseeds, spices and corn and the other is for salt cultivation at coastal area at the same interest rate.

3.5.1 Loan for import substitute crops at 2 percent rebate interest rate

Each year a huge amount of foreign currency is spent for importing crops like pulse (mug, muskalai, khashari, pease, vetch, arhar), oil seeds (mustard, sesame, linseed, peanut, sunflower, soya bean etc.), species (ginger, turmeric, garlic, onion, chili, cumin), and maize as their production is not enough to meet domestic demand. About Tk. 125



A banner related to 2% concessional interest rate displayed at BKB, Ali Kadam Branch, Bandarban

billion has been spent for importing these kinds of crops in FY 2009-10. But we have vast scope to produce such kinds of products in hill tracts including other places of Bangladesh. Though government has announced 2% concessional credit program to encourage production of such crops, farmers are not aware of the facility very well. So loan disbursement under this program was very low. Four SCBs and

two specialized banks were distributing loan at concessional rate which was very insignificant.

Bangladesh Bank has taken initiatives from FY 2010-11 to increase the loan disbursement at 2% concessional interest rate for those import-dependent crops production through wide publicity in print and electronic media. At the same time, Bangladesh Bank has requested the concerned banks to take necessary steps for its publicity. Bangladesh Bank also directed the banks to display the detailed information regarding the products and facilities in this sector with the notice board or banner at places in each branch easily noticeable for the visitors including their own website. Banks have taken steps accordingly. Recently, Bangladesh Bank has also published a booklet regarding loan disbursement at 2% concessional interest rate. This booklet includes the importance of cultivation of pulses, oil-seeds, spices and maize; district and upazilla based production areas for the cultivation of these crops; credit norms; production calendar and loan repayment schedule.

Increasing the concessional interest rate from 2% to 4%

From FY 2011-12, under the interest compensation facility of the government, the existing concessional interest rate of 2% has been raised to 4% at farmer level so that Private Commercial Banks and Foreign Commercial Banks along with SCBs can take part in loan distribution to encourage the production of pulses, oil-seeds, spices and maize. As a result, from that FY along with the SCBs, private commercial banks are disbursing loan for the cultivation of afore-mentioned crops under their annual targets for disbursing agricultural credit with 6% interest compensation facility of the government through Bangladesh Bank. Earlier Banks received 2% from farmers and 6% as interest subsidy from government i.e. total of 8% which failed to cover the cost of fund in many cases. The government subsidy of 6% and concessional rate of 4% make the interest rate 10% which can cover the cost of fund now. In this case, after getting interest compensation at 6%, if any bank suffers from any interest loss, it will be considered as the Corporate Social responsibility (CSR) of the Bank.

Target Based Loan Disbursement at Concessional Interest Rate

For the first time in FY 2010-11, loan disbursement target was set to Tk. 960 million for import substitute crops like pulse, oilseeds, spices and maize at concessional rate of 2%. Banks disbursed Tk. 710 million in that year which is 74% of the target. In FY 2011-12 banks have achieved

105% of the target by disbursing Tk. 820 million against target of Tk. 780 million. In the current FY 2012-13, Tk. 750 million has been disbursed at 4% concessional rate on the import substitute crops production against target of Tk. 894.5 million. Depending on the real demand of loan, banks will determine their annual loan target at the concessional rate for the noted crops at the beginning of the fiscal year and they have to direct the related branches appropriately to ensure that the targeted loan is disbursed. Bangladesh Bank is regularly monitoring the banks' loan disbursement process so that the loans are disbursed according to their targets.



NCC Bank, a private commercial bank, has financed in maize cultivation at Patgram in Lalmonirhat

Process of Receiving Interest Compensation

In order to verify the proper utilization of loan disbursed at 4% interest rate, banks will provide the list of the receiver farmers to the local Agricultural Extension Officer. And if any information on irregularity or misuse of loan is provided to the banks by the concerned officer, normal interest rate instead of concessional rate will be chargeable for the loan. The process has been simplified to enable the banks to get the subsidy promptly against the loan disbursement for the said import substitute crops. Banks will claim to Bangladesh Bank for interest compensation of 6% against the recovered/adjusted loan accounts financed at the concessional rate within one month after the end of the respective year. Bangladesh Bank will verify at least 10% files of the claims considered as eligible on random sample basis and determine the actual amount of interest loss by applying the percentage of claims which are not proved as genuine. Bangladesh Bank will take necessary steps to make the payment on the basis of the justification from its own fund. Later,

Bangladesh Bank will send the statements of paid amount to the Ministry of Finance and the Government will reimburse the same amount to Bangladesh Bank. As a result, banks have been encouraged to join this program.

Revolution on Spice Cultivation in Hill Tracts

Bangladesh is changing rapidly in all aspects. And Chittagong Hill Tracts, the landscape of wonderful natural beauty, is not lagging behind either. The region is about one-tenth of total area of Bangladesh. Now a silent revolution of cultivation of ginger, turmeric, chili and maize is going on over the hills abounded with forest resources, trees, fruits garden and fishery resources. The farmers of hilly area have started the cultivation of ginger, turmeric and chilly extensively instead of cultivation of tobacco which is harmful for our environment. They are cultivating these crops with much encouragement as it is more profitable than tobacco cultivation. In addition, farmers get credit facilities at a minimum interest rate and with easy terms from banks which are considered as an extra advantage for them.

As a result, the hills, at present, are not only the source of natural beauty but also the new gateway of our economic development. The inhabitants of hilly areas accustomed to 'jhum' cultivation, are now more interested in growing this kind of crops. In our vast spacious hill tracts area, there are about 54 thousand hectares of cultivable land in Bandarban alone. There is a wide prospect of cultivation of ginger, turmeric, garlic, onion, chili etc. in this area. Five-six years ago, a few



Members of Bangladesh Bank inspection team sharing ideas with local people and real farmers in Bandarban

farmers from Rajbila and Kuhalang union of Bandarban Sadar upazilla started cultivation of ginger commercially for the first time. They sowed the ginger seed in hilly land after collecting Thai and Korean seeds from plain land. Bumper production of ginger and higher prices in market encouraged them to cultivate ginger in more lands. Observing their success, other people also started ginger cultivation extensively within the next few years.

'Area Approach' method or area based crop production is one of the recent multipurpose initiatives of Bangladesh Bank to develop agricultural sector. Bangladesh Bank has directed the banks to disburse agricultural credit following the area approach method emphasizing the comparative advantages of producing crops regionally. The honorable Governor of Bangladesh Bank, Dr. Atiur Rahman visited Bandarban area for the first time in the middle of FY 2009-10. During the visit he highlighted the importance of 'Area Approach' method initiated by Bangladesh Bank and emphasized to disburse the credit in Bandarban for cultivation of these crops, especially ginger and turmeric in a meeting organized in conference room of the Deputy Commissioner of Bandarban district in presence of the local administration, bankers, agricultural officials, entrepreneurs and farmers. At the end of the meeting, he distributed credit publicly among the ginger and turmeric farmers through the local bank branches. Due to the bumper harvest of ginger and turmeric in Rajbila, Kuhalang, Sultanpur, Royangchari, Alikadam, Ruma upazilla of Bandarban, the district has become well-known as cluster area for ginger and turmeric cultivation.

An inspection team of Bangladesh Bank conducted an investigation in December 2010 to verify bank loans' contribution to bumper ginger production in Bandarban. It has been mentioned in the inspection report that the local farmers obtaining loan facilities at 2% concessional interest rate from banks for ginger and turmeric cultivation became the real beneficiaries as they got bumper production of ginger by collecting and using the related components including seeds on time. They no more had to go to the non-institutional sources to obtain loan at a higher interest rate as they were ensured credit flow from banks. The production of ginger in 2010 in Bandarban was more than that of the previous year. Interviewing the real ginger cultivators, the inspection team also confirmed of the bumper production of ginger. Farmers expressed their satisfaction to the inspection team regarding the bumper production and the sincerity of the local bank officials. A number of successful farmers of Rajbila and Kuhalong union under

Bandarban Sadar informed the inspection team about their success of meeting up the expenditures of their daughters' marriages and other expenditures including the supply of capital for small business. Branch manager of Janata Bank, Bandarban branch says, "Only in Bandarban upazilla Janata Bank has disbursed Tk. 2.2 million in FY 2009-10 in agriculture sector among which Tk. 1.8 million is only for ginger cultivation." A high official of Bandarban Agricultural Extension Office informed, "Ginger has been cultivated in 1562 hectares of land in the district. Farmers are getting interested in cultivating ginger for improved transportation and easy loans from banks with simple condition."

ChingSabu, a successful ginger cultivator of Kuhlalong union who got credit at 2% concessional interest rate from Bangladesh Krishi Bank, Bandarban branch informed, "Tobacco was largely cultivated in Rajbila and Kuhlalong area in the past. But after starting ginger cultivation, farmers of the areas as well as jhum cultivators are now quitting tobacco cultivation. It is possible to cultivate chili, maize, colocasia, ladyfinger and banana as partner crops in ginger fields. Extra income may be earned by selling those crops." Kangpru Marma of Romtiapara, Rajbila union informed, he cultivated ginger in 5 acres of land for which his expenditure was Tk. four hundred and fifty thousand. But he earned around Tk. 10-11 hundred thousand due to bumper production and good market price of ginger.

After the success of ginger and turmeric cultivation, for the first time in the world, "Ginger and Turmeric Farmers Summit" was jointly organized by Sonali, Janata, Agrani and BKB in February 2011 in Bandarban. The



Governor Rahman along with other distinguished guests at the world's first ginger and turmeric cultivators summit in Bandarban district

Governor attended the summit as chief guest and encouraged the farmers. He also disbursed loan among the ginger and turmeric growers at the concessional rate. He told that a large number of farmers in Bandarban had succeeded in the cultivation of ginger and turmeric. In order to boost up the production of pulses, oil-seeds, spices and maize in the country, the disbursement of loans at concessional rate will work as an important catalyst. Providing necessary amount of credit and advanced technology in the field level, supplying high yield variety seeds, diversifying crops and ensuring the appropriate price of crops will play a vital role in increasing the productivity of the import substitute crops. If the cultivation of these crops can be made popular in hilly areas like Bandarban and other prospective regions, huge foreign currency can be saved through reduction of import dependency. Stability in price of these products is noticed than before because of the pro active initiatives in the banking sector.

3.5.2 Concessional Credit Program for Salt Cultivation in Coastal Areas

There is a huge demand of salt for consumption and industrial use in Bangladesh. Our coastal area is suitable for salt cultivation. A large number of small, marginal farmers and sharecroppers of this area are involved in salt cultivation. They are affected badly from cyclone and tidal upsurge frequently. Since the salt cultivators are financially insolvent, Bangladesh Bank has introduced a scheme of loan with easy terms and lower interest rate for those who are able to cultivate 0.5 bigha to 2.5 acres of salt producing land. They can obtain loan at 4 percent concessional rate of interest individually or jointly. This special credit program was launched in FY 2010-11.

This concessional interest rate facility will be applicable in the coastal area where salt is being cultivated under 'area approach' method during salt harvesting period (generally December-May). More than Tk. 40 million among 1200 salt cultivators in FY 2010-11 and Tk. 110 million among more than 1300 cultivators in FY 2011-12 has been disbursed at 4% concessional rate. Banks are allowed to submit interest recovery application at 6% interest rate to Bangladesh Bank for the adjustment of disbursed amount at concessional interest rate within 1 month.

3.6 Financial Inclusion Program

During the past four years Bangladesh Bank has brought 13.2 million people under banking service which includes farmers, hardcore poor population, unemployed young men/women, freedom fighters,

beneficiaries of social security program, small life insurance policy holders, students of schools etc. Bangladesh Bank directed to open farmer's account with a deposit of Tk. 10 for the first time on 17 January 2010. In addition to that, more than 3.6 million people have opened mobile banking account under the mobile banking system. Because of these initiatives over 50 percent adult population of Bangladesh are now receiving banking service.

3.6.1 Farmer's Account at 10 Taka

One of the most significant initiatives taken by Bangladesh Bank to improve the fortune of the farmers, the greatest sons of the nation, is to open No-frill account for them. This kind of innovative account opening system was not prevalent earlier. Bangladesh Bank has guided the SCBs and specialized banks to open farmer's account with deposit of 10 Taka (almost 12 cents) to facilitate direct transfer of Government subsidy as well as agricultural credit to farmers' bank accounts. Bangladesh Bank has set the target of opening 18.2 million farmer's account against which 9.7 million farmer's accounts have been opened till June 2013. Due to this financial inclusion activity farmers are now able to avail themselves of the modern banking services.

Features of Farmer's 10 Taka Account

Account opening process is very simple. Filling up KYC (Know Your Customer) form is not necessary while opening the account. A farmer can open a savings account in any government owned commercial and specialized bank against his/her National Identity Card, Birth Registration Card or agriculture equipment assistance card issued by the Department of Agricultural Extension (DAE). Maintaining minimum balance is not mandatory and no fees and charges are applied in these accounts. In addition, the account is exempted from excise duty when the balance is less than Tk. one hundred thousand. Considering the education level of the farmers' withdrawal facility is provided in the form of vouchers instead of cheques. Farmers willing to use cheque for withdrawal are provided with cheque books. Illiterate farmers are allowed to withdraw money by LTI (Left Thumb Impression) until they learn to sign.

Bringing Dynamism in Farmers' Account

Bangladesh Bank has given special instructions to the banks on 06 November 2012 to keep the farmers' accounts active and operative. For

example, banks will consider even 1-2 percent more interest than that on savings account to increase the transactions of these accounts. Head offices of the banks will determine the annual target of active farmers' accounts through the head of the bank branch. Bank branches will consider providing credit at low interest rate against up to 90 percent of the savings in such accounts.

Farmers' accounts cannot be made dormant or inoperative. By now, Sonali Bank Ltd has fixed a higher interest rate on such accounts than on the regular savings accounts. Besides, instructions have been given to the banks for launching various creative products including regular banking activities like collection of un-tapped savings to keep the huge number of accounts in rural areas, deposit and withdrawal of savings and deposit of remittance.

Benefits of Opening Farmer's Account

The account holder farmers are not only receiving government subsidies on fertilizer, seed, diesel and bank credit, saving tendency among them is also increasing leading to significant augmentation of overall financial inclusion program. Like traditional accounts; provisions for money transfer and receiving remittance from inside and outside the country is available for these farmers' accounts. Bangladesh Bank instructed banks to provide agricultural credit to farmers through accounts instead of cash except for unusual cases so that the farmers get rid of the middlemen and the transparency in agricultural credit is enhanced. Government and private aid for the natural calamity victims are also provided through these accounts.

Present Scenario of Farmers' Accounts

At present there has been a dramatic/revolutionary change in government subsidy and agricultural credit system. Earlier the farmers had to go to the middlemen and bankers for loan. Now bank officials are going to farmers' doorsteps. Open loan disbursement and subsidy distribution have already started. Farmers are able to get different financial services including subsidy, credit and remittance through these accounts. Most of the parents of our expatriates/wage earners are farmers. So, remittance is deposited very easily and fast to the accounts of farmers. Scenario of agricultural credit distribution, savings, inward remittance and outward remittance in last and current fiscal year is as follows:

Subject	FY 2011-12 (figures in million)	FY 2012-13 (figures in million)
Agricultural credit disbursement to farmers' accounts	2,235.4	2,941.2
Savings amount	1,145.0	1,056.3
Foreign remittance	388.0	478.1
Internal remittance	222.5	194.9

Commercial banks have to submit quarterly report to Bangladesh Bank on the use of farmers' Tk. 10 account in general banking along with deposit of government subsidy. Bangladesh Bank will continue such monitoring in the future as well.

3.6.2 Other Initiatives under Financial Inclusion

Other than farmers' Tk. 10 account, 3.6 million accounts have been opened to distribute financial aid to different social security program beneficiaries, unemployed young men/women, hardcore poor, freedom fighters, destitute beneficiaries under Hindu Welfare Trust, small life insurance policy holders and school students. A large scale financial inclusion has been ensured through opening such accounts. Thus a large population is now under banking services.

- To ensure easy, hassle free and transparent Social Security activities such as providing allowance for the old, for the needy disabled, widow, abandoned destitute women, account opening has been facilitated for the beneficiaries against national ID card and Payment Receipt Book containing Pension Payment Order (PPO) for a deposit of taka 10 only. Total number of accounts for beneficiaries under Social Security Program was 26,64,000 till June 2013.
- A freedom fighter can open bank account by depositing BDT 10 against national ID card and Payment Receipt Book for freedom fighter's allowance. Total number of freedom fighter accounts was 1,10,000 till June 2013.
- Beneficiaries under Hindu Religious Welfare Trust can open bank account by depositing BDT 10 against national ID card and Certificate issued by Hindu Religious Welfare Trust. Total number of such accounts was 700,000 upto June 2013.
- Different banks have opened over 9,000 accounts against Tk. 100 for small life insurance policy holders.
- 45 banks have launched school banking scheme to bring school students under banking service. Upto 30 June 2013, a total of 2,25,000 students have opened accounts.

Under National Services Program undertaken by the government to eliminate unemployment an unemployed young men/women can open a bank account by depositing BDT 50. To facilitate employment and financial inclusion for the hardcore poor, account opening for the beneficiary workers under the above mentioned program with national ID card and registration certificate issued by Ministry of Food and Disaster Management has been ensured. Recently banks have been instructed to open 10 taka account for the hardcore poor women and marginal/ sharecroppers under the 'Food and Livelihood Security' Project of Department of Women affairs. The financial inclusion program has been expedited due to the above mentioned initiatives. Besides, banks have been advised to designate an official as 'Focal Point' at each branch of their bank with a view to making the banking services beneficial and easily accessible to the physically handicapped people.

3.7 School Banking

School Banking is another step towards expediting financial inclusion program. Bangladesh Bank issued a circular on 02 November 2010 advising all commercial banks to start countrywide school banking service in order to introduce banking facility and technology to the school students considering school banking as an important tool of implementing the vision "financial inclusion". The main objective of the school banking is to encourage students to build a habit of savings from an early age as well as to bring them under banking services by helping them contribute to economic activities of the country through their savings along with implanting the concept of financial literacy in infant mind.

Opening and operating account under school banking is very easy. Interested students aged 11- 18 that is from class six to twelve can



A poster of the school Banking Conference 2013

easily open accounts jointly with parents or legal guardian. The accounts can be opened with nominal deposit of Tk. 100. There is no charge or fee imposed and no minimum balance requirement to maintain this account. Each account holder receives ATM card, debit card and internet

banking facility at a low or free of cost. This type of account helps students to form the habit of saving which will come to their help in higher studies. Through introduction of school banking, a large section of the population can be brought under financial inclusion drives. Therefore, young boys and girls will acquire banking knowledge that will help further in their upcoming futures. School banking program can prepare the base for economically secured lifestyle. Thus they can contribute to national economy by practicing the financial knowledge and experience from an early age.

3.7.1 School Banking in Bangladesh

School banking got fresh impetus when the central bank issued a formal circular in late, 2010. In compliance with the instruction of Bangladesh Bank, banks have introduced various scheme and products with lucrative offers realizing the importance of school banking. Forty five banks have started school banking service by now. Total numbers of accounts opened by these banks till 30 June 2013 are 225,000 and current balance of these accounts is Tk. 1.28 billion. Thus average balance per account is about Tk. 6,000.

School Banking in Bangladesh at a Glance (Million Tk.)

Bank	Number of Accounts			Balance		
	2011	2012	June 2013	2011	2012	June 2013
State Owned Bank	354	1961	4270	11.6	1.9	14.7
Specialized Banks	637	1781	4279	1.7	3.1	10.5
Private Banks	27830	128421	215597	290.4	949.3	1243.3
Foreign Banks	259	374	573	4.2	10.8	16.2
Total	29080	132537	224719	307.9	965.1	1284.7

To make School Banking popular in the country, Bangladesh Bank and all scheduled banks jointly organized 'First School Banking Conference-2013' at the A. K. N. Ahmed Auditorium of Bangladesh Bank Training Academy, Mirpur, Dhaka on 20 April 2013. Governor Dr. Atiur Rahman was the Chief guest while writer and Professor Dr. Muhammad Zafar Iqbal and vice chairman of the Association of Bankers Bangladesh (ABB) Ali Reza Iftakhar were special guests at the conference. A total 94 school banking account holders, two from each bank, their guardians and teachers attended the conference. Students, guardians and teachers shared their ideas and experiences about school banking at the conference. A documentary on school banking in Bangladesh was also been shown at the conference.



Governor Rahman at the opening of first School Banking Conference held on 20 April 2013

The second school banking conference is going to be arranged at Bangladesh Bank Rangpur office on 26 October 2013. About 800 students and teachers from various schools under Rangpur district will participate in the conference. After that school banking conference will be organized in Chittagong to increase awareness of teachers on school banking. It is mentionable here that governor attended a views-exchange meeting with representatives from various educational institutions and banks in Sylhet on 27 July 2013. In this way, regional school banking conference will be arranged in all divisions.

3.8 Governor Honored with a World Record for Financial Inclusion

In 2012, Bangladesh Bank Governor Dr. Atiur Rahman was awarded a certificate of world record by Hong Kong based World Record Association



Governor Rahman with the certificate of world record for financial inclusion

as the central bank Governor for undertaking the highest number of pro-poor and financial inclusive programs in the world. In addition to his mainstream job of ensuring price stability and financial sector viability, he set an unprecedented example by participating in nearly

ninety financial inclusive outreach programs mostly in the rural areas over the last three and a half years to facilitate CSR activities; promote lending to agricultural, SMEs, renewable energy, women entrepreneurs; introduce mobile banking and other financial services to the unbanked and underserved communities. Forgoing weekend holidays, he spent most of his spare time in reaching out to the unbanked people in rural areas. The drive he pioneered for opening No-frill bank accounts with minimal Taka 10 deposits for farmers and extreme poor has improved transparency in government's agricultural subsidy and social safety net payments.

Strategy for new branding of central bank with more humane, participatory and generous attitude has been taken in order to maintain a sustainable economic growth so that the benefits of growth are reached to the large deprived population. Bangladesh Bank is working relentlessly for the last four years to make the banking service easily accessible to the under privileged portion of society including hardcore poor, landless, small farmers, sharecroppers, small businessmen and poor women. Benefits of inclusive financing especially in achieving significant growth in agriculture sector, making advancement in SME sector and enhancing credit facility among the poor are already evident. The financial inclusion initiatives taken in last four years have contributed in growth of production which is meeting the increasing demand and helping maintain product price stability. It is expected that the country's economy will be more participatory, sustainable and pro people in the future as the reliance on business and entrepreneur friendly environment has been built in last four years.

Recently the Prime Minister's Office (PMO) has instructed respective ministries and departments to take a concerted initiative and team up with various service organizations like commercial banks, mobile phone companies, post offices, union information centers to bring a large section of disadvantaged people including farmers, workers, fishermen, day laborers, rickshaw puller, vegetable vendors under banking services net. A seven member committee under the leadership of a deputy governor of Bangladesh Bank has been formed on 03 March 2013 with this goal. This committee will fix the role of the banks in extending banking services to the large section of unbanked population through internet and mobile phone technologies. Suitable policies may also be issued from Bangladesh Bank, if necessary.

3.9 Environment Friendly Refinance Scheme

The world environment is under extreme threat due to climate change. The most important challenge for the mankind is to save the world from environmental adversity. As a central bank of the country, Bangladesh Bank is also careful in protecting environment. Bangladesh Bank has already issued regulations and guidelines for the compliance by the banks and FIs in order to protect the environment. Under the refinance scheme of Bangladesh Bank, Banks have come forward with the CSR commitment in social and environment sector to provide credit facility in different environment friendly projects like investing in solar energy, bio gas, bio-fuel based electricity generation, ETP, etc.

3.9.1 Refinancing Scheme for Renewable Energy and Green Financing

It is very much important to meet the shortage of electricity and gas and maintain the ecological balance and public health through use of solar energy and environment friendly renewable energy. In this regard Bangladesh Bank has introduced a revolving Refinance Scheme of Tk. 2 billion in FY 2009-10 for Solar Energy, Biogas, Effluent Treatment Plant (ETP) and Hybrid Hoffman Kiln (HHK) for activities like using solar energy in rural households and business places, employing solar irrigation pump, setting up combined cow rearing biogas plant, generating biogas from poultry farm litter, firing stove as well as generating electricity from biogas and producing organic fertilizer from bi-product slurry out of biogas plant. Extending the scope of this fund through GBCSRD circular no. 2 dated 01 July 2013, it is renamed as 'Refinancing scheme for renewable energy and green financing'. Instructions have been given to banks for setting up solar panel in residential, commercial and industrial organizations and to formulate special schemes of their own to emphasize on financing in environment friendly other sectors in accordance to client demands at highest 10 percent interest rate.

Twenty eight banks and a financial institution have signed participation agreement with Bangladesh Bank to get facility from the refinance scheme fund of Tk. 2 billion. Upto July 2013, sixteen banks have been refinanced with Tk. 1.12 billion. From this amount, Tk. 505.4 million in solar energy, Tk. 301.5 million in biogas plant, Tk. 90.4 million in ETP and Tk. 227.2 million in HHK sector have been refinanced. Tk. 23.9 million was already refinanced to inspire the usage of solar irrigation pump instead of traditional system.

Solar Energy

To facilitate use of solar energy and to deal with electricity and gas shortage, banks have financed Tk. 505.4 million upto July 2013 from the Bangladesh Bank refinance fund for solar irrigation pump and solar home system in rural households and business organizations. Banks have lent credit to clients under the solar energy sector at easy terms and low interest rate.

a) Solar Home System

Standard of living has been changed by generating electricity through solar home system in areas where electricity is not supplied. Till July 2013, banks have disbursed Tk. 110 million by setting up nearly 4000 solar home systems under the refinance scheme. About 160 kilowatt electricity is generated daily from these systems. Two private sector banks - Mutual Trust Bank Ltd. and Standard Bank Ltd. have played leading roles in financing in this sector.

b) Solar Irrigation Pump

Farmers are benefitted in cultivation with the uninterrupted water supply through solar irrigation pumps. Banks have disbursed Tk. 23.9 million among 9 irrigation pumps under this sector upto July 2013. With these pumps nearly seven hundred farmers are irrigating on more than 300 acres land across the country. Solar irrigation pumps can be used for a long time (almost 20 years). So it is highly cost effective though the primary cost of setting up such pump is a bit higher. Private sector bank Mutual Trust Bank Ltd. has contributed significantly in this sector.



Governor Rahman inaugurates the first solar irrigation pump of the country financed by Mutual Trust Bank Ltd. under Bangladesh Bank refinance scheme in Kumarkhali of Barguna

c) Solar Assembling Plant

Till July 2013, an amount of Tk. 371.5 million has been disbursed for establishing Solar Assembly Plant under the refinance scheme. Among these Eastern Bank Ltd. and Basic Bank Ltd. have financed Rahimafrooz Renewable Energy Ltd. and Benico Solar Ltd. respectively on establishing solar assembly plants with 18 megawatt and 10 megawatt capacity.

Biogas Plant

Small sized cow farms consisting of digester fed and four cows have become very popular in rural Bangladesh. Fire wood and fuel are saved by combined cow rearing and biogas generation model; on the other hand, entrepreneurs are getting milk and organic fertilizer from cow rearing. Above all, the environment remains pollution free. Till July 2013, Tk. 301.5 million has been disbursed to more than 1000 plant establishment in this sector. There are nearly 3500 cows employed in biogas plants. Volume of bio digester is over 4000 cubic meter. Gas of 1900 cubic meters, organic fertilizer of 25 ton and 33000 liter of milk are produced daily from the biogas plants. Trust Bank Ltd., Mutual Trust Bank Ltd., National Bank Ltd., Uttara Bank Ltd., One Bank Ltd. and South East Bank Ltd. have played important roles in this sector. Trust Bank Ltd. has showed much efficiency by financing Tk. 300 million for 1000 biogas plat establishment within 2012.



Governor Rahman visits a biogas plant financed by Trust Bank Ltd. at Gajaria of Sripur thana in Gazipur

Effluent Treatment Plant (ETP)

Refinance of Tk. 90.4 million against credit financed for establishing eight ETPs has been made under the refinance scheme upto July 2013 in

order to maintain ecological balance through refining wastes in the industrial areas. Everyday 18,000 cubic meter waste is treated through these plants. Sonali Bank Ltd., Prime Bank Ltd., Mercantile Bank Ltd., AB Bank Ltd. and Commercial Bank of Cylon have played leading roles in this sector.

Hoffman Hybrid Kiln (HHK)

In order to build environment friendly brick kilns by lowering carbon emission and preserving ecological balance, Tk. 227.2 million for establishment of four brick kilns till July 2013 has been disbursed under this scheme.

3.9.2 Financing Brick Kiln Efficiency Improvement Project of ADB

Brick manufacturing is energy intensive and a main source of greenhouse gas emission. To prevent pollution, government has decided not to renew or issue fresh any more licenses to conventional brick kiln (Fixed Chimney Kiln) from September 2013. At this backdrop, Asian Development Bank (ADB) has provided \$50 million in loans under "Financing Brick Kiln Efficiency Improvement Project" to invest in environment-friendly and modern energy-efficient brick kilns.

Including \$50 million of ADB, the project of \$100 million is being implemented in the following way:

(million dollar)		
Partner groups	Rate of project cost	Amount
Asian Development Bank (credit)	50%	50
Owner of brick kiln (equity)	30%	30
Participating bank/FI (credit)	20%	20
Total	100%	100

Bangladesh Bank issued a circular on 16 September 2012 in light of Credit contract and Administration Agreement. Following the circular, 14 banks and 6 FIs signed Participation Agreement with Bangladesh Bank till 31 July 2013. In order to speed up the refinance program, a minimum disbursement target of Tk. 50 million has been set for the current FY for all banks and FIs who signed participation agreements. In order to speed up the refinance program, each bank and FI, who signed participation agreements, has been given a minimum disbursement target of Tk. 50 million for the current FY. Several other banks have already applied to

Bangladesh Bank for refinance. An advisor has been appointed by ADB for technical support in this project. It is expected that funds will be released under this program very soon.

3.10 Special Credit Program for Agro Processing Industry

In order to create employment in rural areas and to alleviate poverty, Bangladesh Bank has launched a special credit program titled 'Refinance Scheme to Establish Town Based Industry for Processing Agricultural Products' from its own fund. At present there exists a revolving fund of Tk. 4 billion under this scheme which was introduced in 2001.

Sectors under this credit scheme are - fruit-based food processing (like jam, jelly, juice, pickle, sarbat, syrup, sauce, etc.); fruit (like mango, guava, jackfruit, litchi, pineapple, coconut, etc.), vegetables (like tomato, etc.), pulse, sugarcane, mushroom, dairy, salt processing; bread, biscuit, chanachur, chips, potato flakes, vermicelli, lachha, noodles, flour, rice, puffed rice processing; production of various spice powder, shrimp and other fish processing and cold storage; meat processing; poultry feed processing, fisheries and livestock; jute based product (like rope, thread, bag, carpet, sandal, etc.) producing organizations, cold storage, flower preserving and exporting, building particle board, producing silk fabric, edible oil treatment, producing edible oil from rice grain, bee rearing and honey harvesting along with the 37 sub-sectors for agricultural product processing. From this fund Tk. 1.25 billion has been refinanced till 2009.

Due to high demand from the field level entrepreneurs and growing refinancing claims from banks, the fund has been raised from Tk. 1 billion to Tk. 2 billion in December 2012 and to 4 billion very recently . At present balance of refinancing fund is nearly Tk. 1.09 billion. Banks and FIs are providing credit at maximum 10 percent rate at client level while receiving the fund from Bangladesh Bank at 5 percent interest (bank rate). Till now 23 banks and 17 FIs have provided Tk. 3.4 billion among 1,681 agriculture based organizations.

From this fund a number of 773 industrial organizations were financed with nearly Tk. 2.2 billion during 2001 to June 2013 through which almost six thousand new employments have been created. Some of the sectors financed under this scheme are-Tk. 200 million in agricultural machineries and tools in Sherpur of Bogra, Tk. 110 million in cold storage of Chandpur, Tk. 80 million in rice producing factories in Gazipur and Tk. 30 million in poultry, livestock and fishery feed producing plants in Savar. Besides, refinance has been provided in sectors like- pulse processing,

bread and biscuit, vermicelli, lachha, chanachur, noodles, etc. producing, coarse flour and flour producing, dairy processing, yunani and ayurvedic medicine producing industry, seeds preserving, jute goods producing, mustard oil producing etc.

3.11 Bangladesh Bank in SME Sector Development

Small and Medium Enterprise (SME) is known as the driving force of economic development worldwide. SME sector has played a vital role in the economic development of the developing countries of the world through opening doors of possibility. This sector is less capital intensive compared to the large industry but has more potential in employment generation and earning more profit. This sector requires less time in production; use of electricity and energy is relatively less; contributes less in environment pollution. Initiatives in this sector play an important role in the chain of domestic demand and supply. There is much more prospect in using domestic raw materials, skilled labor and suitable technology. SME sector can contribute greatly to achieve economic growth, eradicate poverty, decrease regional and rich-poor inequality, ensure gender equality and women empowerment. Industrially developed and developing countries of Asia like China, Japan, Korea, Malaysia, Singapore, Taiwan, Thailand, Vietnam and the Philippines have been able to achieve economic growth through developing small and medium enterprises. Our neighboring countries India, Pakistan, even Sri Lanka also attribute due importance on SME. They have already attained significant achievement in this sector.

3.11.1 Importance of SME in Bangladesh

Bangladesh is a country of unlimited potentials with a huge working population. Our industrial sector has been lagging behind. Heavy industry has not flourished much in our country due to lack of large capital and technical efficiency. Though heavy industry has not flourished in Bangladesh, through small enterprises with small amount of capital people are involved in creative works that is keeping wheel of economy active. Our large population can be turned into human resource by providing appropriate education, technical training and required assistance and can be employed as a production tool by the growing SME sector with less capital. Thus the huge population can turn into the driving force of economy.

The government has undertaken 'Vision 2021' in order to turn Bangladesh into a mid- income country by 2021. Accordingly

determination has been shown to build a strong industry sector in the country by 2021. In 'National Industrial Policy-2010', the government has emphasized on accelerating the growth of SME sector by recognizing the driving force of SME in a planned and balanced labor intensive industry. Besides, the government has identified strategies in some important sectors like faster agricultural growth, extensive rural employment, goal oriented employment generation and creating a strong social safety net with the intention of poverty alleviation, reducing disparity and attaining sustainable economic growth. To implement these objectives of the government, development and sound growth of SME sector are mandatory.

3.11.2 SME Credit Program

Like other countries of the world, SME sector plays a critical role in the overall development of economy in Bangladesh. Share of industry sector is 31.26 percent of GDP. 90 percent of the total industry and business are of small and medium size. This sector provides 85 percent of the total industrial employment. Although a refinance scheme was taken in 2004, Bangladesh Bank has multiplied its efforts in last four years in SME sector. It has taken various projects for the women entrepreneur development and enterprise friendly banking. In recent times, SME financing has been speeded up with the efforts of Bangladesh Bank. Banks and FIs are coming forward to provide more SME credit than before.



Governor Rahman inaugurates SME and Special Programs Department at Bangladesh Bank Head Office

To define and crystallize Bangladesh Bank's role in the development of this sector, a separate department namely 'SME and Special Programs

Department' was established in Bangladesh Bank in 2009 which has been solely playing its role for policy formulation, facilitating fund, monitoring and development of entrepreneurship in the SME sector. Bangladesh Bank has formulated an extensive SME credit policy and program emphasizing SME financing. At the same time supervision and monitoring of banks are strictly maintained by Bangladesh Bank. Small entrepreneurs are given priority for credit in SME policy. The lower bound of ticket size of SME credit reduced from Tk. 200,000 to Tk. 50 thousand for small enterprises. In line with the 'National Industrial Policy 2010' SME has been redefined with inclusion of cottage and micro enterprise. Like small enterprises, cottage and micro enterprises are also considered for refinancing facilities under Bangladesh Bank fund including the facility of charging 10% interest rate on women entrepreneurs. The refinancing limit of cottage and micro industries/enterprises under Bangladesh Bank fund were fixed at TK. 10,000 to Tk. 500,000 and Tk. 20,000 to Tk. 1 million respectively.

3.11.3 SME Credit Disbursement

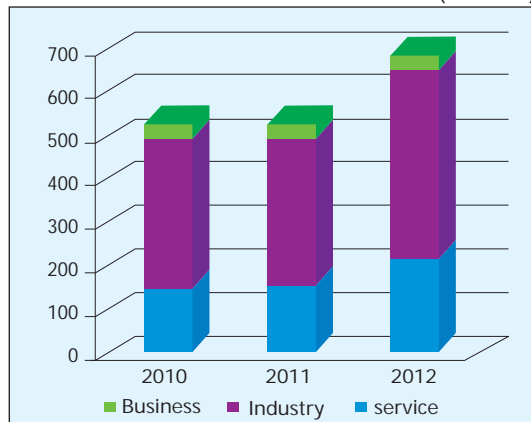
Banks and FIs determined SME credit target for the first time in 2010 and disbursed credit accordingly. A total amount of Tk 1,770.17 billion was disbursed in three years from 2010 to 2012. In 2013, Tk. 741.9 (billion Tk.)

Year	Target of Loan	Disbursement of Loan		
		Number of Enterprises	Disbursed Loan	Target Achievement Percentage
2010	388.58	308,950	535.44	138%
2011	569.40	319,340	537.19	94%
2012	590.12	462,513	697.53	118%
Total	1,548.10	1090,803	1,770.17	114%

billion SME loan has been targeted for disbursement. A total amount of Tk 193.5 billion was disbursed to 218,697 (billion Tk.)

small and medium entrepreneurs upto March 2013, which is 26 percent of the target.

SME sector development depends on the development of industry and service sector. Actual employment is created through these two sectors. Therefore,



special attention and importance have been given on these sectors in SME credit policy. Bangladesh Bank emphasizes financing more credit in these sectors by banks. Sector wise credit disbursement shows that loan disbursement in SME sector has increased in last three years.

Item wise SME Loan Disbursement: 2010-13

(Tk. in billion)

Year	Item			Total	Women Entrepreneur
	Business	Industry	Service		
2010	350.41 (65.4%)	151.48 (28.3%)	33.56 (6.3%)	535.44	18.05 (3.4%)
2011	343.83 (64.0%)	158.06 (29.4%)	35.31 (6.6%)	537.19	20.48 (3.8%)
2012	442.25 (63.4%)	218.97 (31.4%)	36.31 (5.2%)	697.53	22.44 (3.2%)
2013 (Upto March)	130.07 (67%)	53.28 (28%)	10.17 (5%)	193.52	6.02 (3.1%)
Total	1266.53	581.78	115.39	1963.70	66.99

3.11.4 Refinance Fund for SME

Lack of adequate financing is the main barrier for growth and expansion of SME sector. Therefore, Bangladesh Bank is committed to make the SME credit easily accessible. In order to resolve fund crisis i.e. to expedite the SME sector development program, Bangladesh Bank has been providing refinance facility to banks and FIs.

Refinance Scheme in SME Sector at a Glance

(billion Tk.)

Sl. No.	Fund Name	Sanctioned Amount	Sector	Refinance description			
				Number of Entrepreneur	Amount	Collection	Outstanding
1.	Refinance scheme in agriculture industry	4 billion		1618	3.42	1.42	2.00
2.	Bangladesh Bank	6 billion	General Entrepreneur Women Entrepreneur Sub-total	12285 8051 20336	11.96 6.11 18.07	10.43 2.00 12.43	1.52 4.10 5.62
3.	IDA	1.18 billion		3160	3.12	2.68	0.44
4.	ADB-1	2.02 billion	General Entrepreneur Women Entrepreneur Sub-total	3134 130 3264	3.18 0.16 3.34	- - 3.29	- - 0.06
5.	ADB-2	7.2 billion	General Entrepreneur Women Entrepreneur Sub-total	11613 191 11804	5.98 0.16 6.14	- - 0.71	- - 5.43
6.	JICA	5.1 billion		99	0.83	0.07	0.76
			Grand Total	40281	34.92	20.60	14.31

(Source: SME and Special Programs Department, Bangladesh Bank)

For the development of SME sector Bangladesh Bank from its own fund along with ADB, IDB and the government fund is providing refinance facilities to banks and NBFIs against their disbursed SME credit. Under these refinance facilities, 22 banks and 24 NBFIs have signed participatory agreement with Bangladesh Bank. Under the refinance scheme 21 banks and 22 NBFIs have taken refinance of Tk. 34.9 billion for financing 40,281 enterprises till June 2013. The amount recovered against the disbursed credit is Tk 20.6 billion and outstanding balance is Tk. 14.3 billion. Sanctioned fund for disbursement is Tk. 4.5 billion. A two-step refinance fund of Yen 5 billion (almost Tk. 5.1 billion) has been created with the assistance of JICA, a donor agency of Japan.

A loan agreement has been signed between JICA and Government of Bangladesh on 18 May 2011 for SME development and financing. The credit policy of JICA fund has already been formulated. 41 banks and FIs have signed agreement with Bangladesh Bank to obtain the refinance facility under this fund. Banks and FIs are getting refinance from the fund prioritizing manufacturing and service sector from October 2012. Banks and FIs can play a vital role in enhancing the investment on productive SME sector by utilizing the JICA assisted fund.

3.11.5 Women Entrepreneurship Development

About half of the population of Bangladesh is women but the number of women entrepreneurs is very insignificant. They are neglected in accessing bank credit also. Women participation in the mainstream of economy is crucial for attaining sustainable economic growth and poverty reduction. For including women in mainstream economic activities, Bangladesh Bank has taken a number of initiatives to ensure access of women entrepreneurs to financial facilities on easy terms and conditions. To ensure loan facility for the women entrepreneurs, at least 15 percent of total

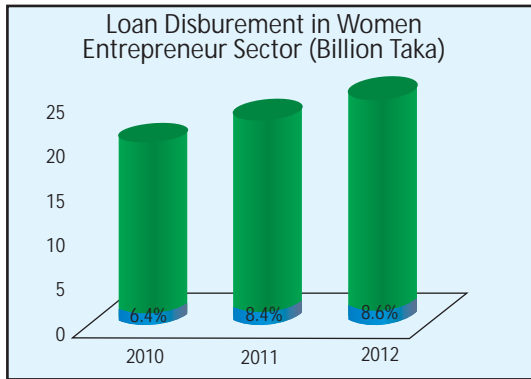


Governor Rahman and State Minister for the Ministry of Women and Children Affairs Dr. Shirin Sharmin Chowdhury at the Women Entrepreneur Meeting and Product Exhibition held in Dhaka

Bangladesh Bank refinance fund for SME sector has been allocated for them at a reduced interest rate of 10 percent. Moreover, refinance

facility is not available for the bank that cannot disburse at least 10 percent of its total credit to women entrepreneurs. Banks and FIs may sanction loan up to Tk. 2.5 million to women entrepreneurs without collateral but against only personal guarantee under the refinance facilities provided by Bangladesh Bank. In order to include a large number of micro women entrepreneurs in the SME credit facilities, a policy of group-based lending of Tk. 50 thousand or above has been initiated. Micro women entrepreneurs in rural areas are also getting the benefits from this scheme. Instructions have been given for establishing separate 'Dedicated Desk' for women entrepreneurs in banks and FIs; if possible engaging women employees on the desk, and providing suggestions and services towards women entrepreneurs. In order to engage women entrepreneurs in industry and manufacturing sectors, emphasis has been given on encouragement, training, cluster approach etc. and banks and FIs have been advised accordingly.

On 27 November 2010 Bangladesh Bank organized a SME women entrepreneurs meeting and product exhibition. These steps taken by Bangladesh Bank have enhanced the credit distribution in SME among women entrepreneurs. Banks and FIs have distributed Tk. 18.05 billion among 13,831 women entrepreneurs in 2010, Tk. 20.48 billion among



16,697 in 2011, Tk. 22.44 billion among 17,362 in 2012. Till June 2013, nearly Tk. 6.0 billion has been disbursed to 9,833 women entrepreneurs. Under the Bangladesh Bank refinance scheme 8,228 women entrepreneurs have availed Tk. 6.3 billion upto June 2013. Increase

in credit disbursement and number of women borrower is contributing in women entrepreneur development and women empowerment.

3.11.6 SME Cluster Development

With a view to make SME credit goal oriented, banks and FIs are advised to adopt cluster approach that is, providing SME loan according to the geographical location or area well known for the particular industry. There are some localities in Bangladesh with a conducive environment

for producing distinct manufactured goods; and again there are some localities that are famous for producing certain manufactured goods. Having explored these, area based cluster industry should be developed.

Bangladesh Bank has already taken various steps for identifying different clusters around the country and banks and FIs are extending their help accordingly. Bangladesh Bank has taken various project initiatives with 28 banks for development in 46 cluster areas including light engineering

and agricultural tools in Bogra, needle and handicraft in Jamalpur, flower cultivation and processing and handicraft in Jessore, small garment industry in Syedpur of Nilphamari, Monipuri handloom in Komolganj and Agar in Borolekha of Moulavibazar, bamboo-



A section of the fair on light engineering and agri tools in Bogra arranged by Bangladesh Bank

cane industry and Monipuri handloom in Sylhet, Khadi in Comilla and Chandpur, Jamdani in Rugganj of Narayanganj, handloom industry in Pabna, Tangail and Sirajganj, Jaripalli in Belkuchi of Sirajganj, special handloom and boutique in Bandarban, Khagrachari and Rangamati, bamboo-cane industry in Munshiganj, soya bean and processing in Laksmipur, shoe making in Bhairab of Kishoreganj.

Monipuri Handloom of Moulavibazar

Moulavibazar and Sylhet are vastly prospective for Monipuri handloom and handicraft industries. The sole credit goes to local entrepreneurs in this field especially the Monipuri women handloom weavers for taking the industry at the present level. Earlier there was a lack of capital, physical infrastructure, efficiency and technical knowledge for the women entrepreneurs. Marketing inefficiency in promotion of handloom product of Monipuri tribe was also in existence. Though the product maintains a quality standard, entrepreneurs are not receiving the expected price in this industry; so the expansion of this industry is not up to the mark. For these reasons, Bangladesh Bank has identified this cluster of Monipuri handloom and handicraft and has asked the banks to come forward for the cluster development. The local banks have financed these women handloom weavers as well as taken



Governor Rahman visits Monipuri Handloom in Kamalganj, Moulavibazar

initiatives to exhibit and market the products. Bangladesh Bank Governor has visited the cluster physically and has distributed open loan to Monipuri women weavers with initiatives taken by different banks. Socio-economic development of the weavers of Monipuri handloom is now very much visible.

Needle and handicraft industry of Jamalpur

There is highly potential cluster of needle and handicraft in Jamalpur through which a large number of women employment has been created. Bangladesh Bank with the assistance of many other banks is working for the development of this cluster. Bangladesh Bank Governor has encouraged the entrepreneurs by visiting Jamalpur himself.



Governor Rahman admires a Nakshi Kantha in Jamalpur

Komor Taant (a special handloom) Industry of Rangamati

From ancient times many tribes of Bangladesh have their own culture. 'Komor Taant', a special type of handloom weaved by the local tribes of Rangamati has caught the attention of the mass people. Bangladesh Bank has advised banks in Rangamati to finance in expansion of this creative industry.



A weaver on Komor Taant in Rangamati

Handloom and 'Jari' industry of Sirajganj

'Jari' and handloom of Sirajganj has a vital contribution in the cloth industry of Bangladesh. Banks and FIs are working for employment generation through developing this sector. Bangladesh Bank has discussed about the problems and prospects of the sector with the banks and entrepreneurs of Sirajganj and accordingly has given guidelines to banks for financing and development of this sector.

3.11.7 Monitoring of SME Credit Program

To supervise and ensure the achievement of overall target of SME loan disbursement, sector-wise industrialization, harassment free loan disbursement to micro entrepreneurs, required credit disbursement to women entrepreneurs, following the area approach and cluster-based credit disbursement, satisfactory recovery of the disbursed credit etc., a three tier monitoring system comprising Head Office and branch offices of Bangladesh Bank and banks and FIs has been established. An "SME Loan Monitoring Cell" has been set up in the 'SME and Special Programs Department' and branch offices of Bangladesh Bank. Financing banks and institutions also supervise their overall SME activities through "Monitoring Unit". Besides, Bangladesh Bank is operating separate inspection program to strengthen monitoring of SME credit program. Moreover, monitoring cell officials keep contact with bank branch managers and entrepreneurs through mobile phone to supervise proper use of loan, data collection, give suggestions when needed and take necessary steps.

3.11.8 SME Financing Fair

In order to encourage the real entrepreneurs towards SME and agricultural related industry, Bangladesh Bank has recently arranged SME Fair in Dhaka, Chittagong, Bogra, Rangpur, Syedpur, Rangamati and



Governor Rahman inaugurates SME Fair in Chittagong

Cox's Bazar. For the first time in Bangladesh, exhibition of light agricultural equipments has been arranged in Bogra on 01 April 2011. Arranging the fairs, it is possible to identify the problems in SME sector and it also makes the relationship between banks and entrepreneurs more intimate.

3.11.9 Problems and Prospects in SME Sector

Other than shortage of finance, problems in SME sector like lack of suitable technology, quality development of the product, skilled labor, marketing services and inefficiency in management are often heard of. Because of these reasons, expected growth in SME sector is not possible. Besides, most of the SMEs are not attentive enough to increase productivity by using information technology strategies. In order to overcome these barriers innovative initiatives and strategies are required to be adopted.

The main challenge of the government is to alleviate poverty. To combat this challenge, agriculture, SME and entrepreneur-friendly guidelines of Bangladesh Bank framed in line with strategies taken for inclusive growth, have already helped bring a major transformation in the economy. Starting from the garment sector under manufacturing industry, new industrial sectors like medicine, ship building, light engineering and IT based service have been added. Rural economy has been reborn due to various SME credit programs adopted by the banks. Wage of labor in villages has increased much than that of before. More vegetables, poultry, fisheries, livestock farms have been established.

Small and medium entrepreneurs have flourished extensively. A new class of entrepreneurs has been emerged. Women are not lagging behind as well. The income of poor has risen through growth in investment and employment in rural areas. Social security net of government is bringing the hardcore poor out of poverty. Bangladesh Bureau of Statistics (BBS) survey (2010) reveals that population below the poverty line has been reduced to 31.5 percent in 2010 from 40.4 percent in 2005. Alongside, the youths are also advancing in the society. ICT sector is widely expanding with dedication from young, educated human resources and is expected to continue expanding further. Bangladesh is one of the ten countries in the world that earn from outsourcing services. Through the advancement of ICT sector, all sectors of the country including the banking sector are coming under synchronization. So, further advancement of this industry is expected in future.

3.11.10 Suggested measures for SME Sector Development

Development in SME sector is not possible with the sole effort of Bangladesh Bank and banking sector only. At this moment this sector requires both government and private initiatives to adopt an extensive development plan and employ all-out efforts for implementation. Small and medium entrepreneurs need to be more conscious to familiarize themselves with free market, dynamic environment and developed technology. There is no alternative to strong infrastructure environment, guidance, data availability and capacity building for this. Bangladesh Bank is working closely with the present government and stakeholders for development of SME sector. Quantitative and qualitative changes are evident in SME financing along with the creation of SME friendly environment in the banking sector combining various banks and FIs, related local and international agencies. If the plausible prospects come true, it is expected that both SME and national growth will increase. Instruments necessary for SME sector development are changing globally; international and regional businesses are spreading out. Facilities for exporting are developing. The products now have to compete in both quality and price to sustain in the changed circumstances. Use of technology and its development is mandatory for our enterprises to compete. To meet the demand of ICT both government and private initiatives are required for a developed infrastructural environment in ICT sector. This will assist in building

Digital Bangladesh also. We are not isolated from the global competition. So we should raise competency of production and competition of SME product by ensuring proper use of our resources and technology. Associated institutions should keep an eye on the issue and steps should be taken to develop the marketing channel as well as building capacity of entrepreneurs. We have to utilize our innovative strength; ensure continuous development in efficiency of our youth and appropriate guidelines and environment for entrepreneurs under local and foreign individual sector is also required. The expansion of potential industry in the suitable regions should be streamlined with the help of adequate financing program. This will ensure balanced development among regions as well as facilitate easier supervision and risk analysis of the financier i.e. banks/FIs.

Bangladesh Bank Governor Dr. Atiur Rahman has taken various steps to stand beside the SME entrepreneurs. He has visited many regions out of Dhaka to hand over SME credit from the banks. He has inaugurated the road show from Teknaf to Tetulia. Bangladesh Bank has signed a tripartite agreement with the ICT organization D-Net and a private bank under a special SME program for women ICT entrepreneurs. A door has opened up with high prospects in SME sector with women entrepreneurship and their creativity. Entrepreneurs are the symbol of our self development and our pride. Products of our innovative entrepreneurs have spread worldwide now. Alongside, the image of spirited Bangladesh is getting brighter day by day. Process of change has started; we are to see an energetic, dynamic and ICT enabled developed SME sector in the near future. We all have to work together to execute our dream of a beautiful, prosperous Bangladesh.

3.12 Equity and Entrepreneurship Development Fund (EEF)

The EEF started its journey with an allotment of Tk 1 billion in the FY 2000-01 to encourage investment in potential food processing and agro based industries and ICT. Generation of employment and development of agro based industries and ICT sectors i.e. socio-economic development of the country is the prime objective of EEF. EEF started its journey with renewed vigor after the assumption of power by the current government. EEF functions have got momentum in last four years; young and interested entrepreneurs have become invigorated.

Size of EEF Budget and volume of released fund have increased and newer sectors have been incorporated. Although Bangladesh Bank has been involved in the overall operations of this program since inception, the operational activities of EEF were assigned to Investment Corporation of Bangladesh (ICB) keeping policy formulation, fund management and performance appraisal related jobs of EEF with BB since 01 June 2009 as per govt. approval.

In the FY 2009-10, allocation to ICT sector has been increased 100 percent from Tk 1 billion to Tk 2 billion. In fiscal 2012-13, Tk. 3 billion was allotted for EEF sector and in the current fiscal 2013-14, this allotment is Tk. 5 billion. Policies have been relaxed or simplified in some cases to allow more participation by entrepreneurs under this fund and to make this fund more entrepreneurs friendly. In both the ICT and agriculture sectors, lower bound of total project costs have been decreased from Tk 5 million to Tk 2 million. As a result, access to EEF assistance by the small entrepreneurs has become easier. Beside these, total project cost of capital machinery based project was increased to Tk. 120 million from Tk. 100 million. In the last four years (2009-13), Tk. 16.95 billion and Tk. 570 million was sanctioned respectively in 991 agro-based projects and 45 ICT projects, against which upto June 2013 Tk. 3.16 billion and Tk. 180 million was released in 248 agro-based projects and 21 ICT projects. The entrepreneurs of 53 agro-based projects and 12 ICT projects have already buy-backed Tk. 1.01 billion and Tk. 140 million respectively. In these EEF projects, 18000 people have been employed. ICT has been developed in the rural economy due to implementation of these projects. EEF fund made an important contribution in meeting demands of protein of the country through increased supply of fish, meat and eggs.

Based on the applications from EEF related entrepreneurs and expert opinions, the list of agro based sectors under EEF has enlarged with the inclusions of bio fertilizer production, soya food production and soya bean processing, fruits and vegetables processing and preservation, bee farming and honey processing, production of jam, jelly, pickles and sausage for local and export markets, tortoise hatchery and tortoise farming, sericulture and establishing palm oil mills. Apart from these, two new sectors i.e. hardware manufacturing and establishing call center under ICT have been incorporated. Only the projects of Non-resident Bangladeshi entrepreneurs were given preference previously

for EEF assistance. Now, the projects of freedom fighters, women entrepreneurs (projects that have woman as MD), tribal entrepreneurs and all the projects of hilly districts and monga (seasonal joblessness) stricken areas are also given preference for EEF assistance.

3.13 Expansion of Bank Branches

At present the total number of bank branches operating in the country is 8427 (till June 2013). Among them 1527 branches have been opened in last four and half years. Besides, in last four years 253 agricultural/ SME branches have been given permission for agricultural and SME sector development. Even till now, more than half of our population is out of banking services, most of whom are in rural areas. That is why half of the bank branches are instructed to operate in rural areas. Besides, Bangladesh Bank is putting effort in broadening mobile banking. Already more than 6.6 million people have opened accounts under mobile banking which has expedited financial inclusion program of Bangladesh Bank. As a result, positive changes in the rural economy are very much visible now.

Digitization of the Central Bank

In today's world, optimum use of ICT is vital for a country's socio-economic development. It is generally accepted that the easy access to information increases productivity; ensures fair, neutral and competitive market system which in turn, improves the environment for investment and boosts efficiency in government and non-government levels. Besides, technology helps bring information and deliver services at the people's doorsteps. Considering these conveniences of ICT the incumbent government is firmly determined to build a 'Digital Bangladesh' and has also taken various initiatives in this regard. In consistence with fulfilling the government's dream of a 'Digital Bangladesh', Bangladesh Bank, as the regulator of financial sector, has been leading in a wide margin in embracing ICT compared to other institutions of the country. Bangladesh Bank is determined to completely digitize the banking system. The Bank has taken a five-year (2010-14) strategic plan to enrich the banking i.e. financial sector with state of the art technology for providing superior services with highest level of efficiency and precision. The main goal of this plan is to establish Bangladesh Bank as an international standard central bank enabled with state of the art ICT.

Though 'Central Bank Strengthening Project (CBSP)', financed by World Bank to automate the overall activities of Bangladesh Bank, started at the second half of 2003, last four years have experienced the significant development in the major part of the project i.e. automation. Currently, more than one hundred fifty servers, about four thousand PCs/laptops and adequate number of printers and scanners are deployed in Bangladesh Bank. Initiative has been taken to provide laptop in addition to PC to all employees step by step. All enterprise application softwares have been installed using the servers and other devices of latest technology. The implementation of Central Bank Strengthening Project (CBSP) is in the final stage now; paperless banking system is going to be introduced in Bangladesh Bank soon. The World Bank is considering this project as the most successful among all the projects in Bangladesh.

4.1 Networking

Under the networking package, state of art Data Center capable to mitigate modern risks and Disaster Recovery (DR) site along with internal network and interconnection among the branches have been set up maintaining proper security of all information preserved at Bangladesh Bank for making easy access to accurate information. Internet and intranet connections have been activated. All the departments of Head Office and ten branches situated in different places in the country including Dhaka have been connected to a single network. As a result, all officials of Bangladesh Bank are now getting internet and intranet facilities which brings an opportunity for them to enter into the international information highway and assists flourishing their competency and knowledge based aptitude. Due to the use of ICT, overall activities of Bangladesh Bank have become more vibrant. Moreover, it has become possible to use all business applications through this network. Therefore, this network package can now be considered as the backbone of other packages. Local and international video conferences are also being arranged through this, where necessary.

4.2 Enterprise Resource Planning (ERP)

Bangladesh Bank has been preparing its financial statements following the international standards through Systems, Applications and Products (SAP) under Enterprise Resource Planning (ERP). As a result, accounting processes of BB such as general ledger and accounting, budgeting, accounts payable, accounts receivable, cash management, budget and cost center accounting system, purchase management, fixed asset management and human resource management etc. are now being performed automatically and accurately. This is playing a supporting role to increase the overall efficiency of Bangladesh Bank. Due to implementation of SAP, Bangladesh Bank employees now can see their salary statement, account balance and human resource related various information from their desks. All procurement of Bangladesh Bank is now done through ERP system. As a result, the procured items are automatically enlisted to the asset list which has enhanced the transparency and efficiency of purchase process of the Bank. Following the development of technology based infrastructure of Bangladesh Bank, commercial banks and other FIs are also being encouraged to adopt this system.

4.3 Banking Application

The banking application software has been implemented to automate the entire banking activities of Bangladesh Bank. Most of the financial transactions of the government such as government's debt from banking system, treasury bill/bond sale, repurchase and secondary trading, FX reserve management, sale, profit disbursement and encashment of prize bond, savings certificate, wage earners bond and various investment bonds are now performed electronically. Salary of government employees are now being paid through Electronic Fund Transfer (EFT) with the assistance of the Ministry of Finance. Besides, this software is also providing data to Enterprise Resource Planning and Enterprise Data Warehouse as per requirement.

4.4 Enterprise Data Warehouse

Enterprise Data Warehouse (EDW) is an advanced technology-based data warehouse, used as a central data base of Bangladesh Bank for collecting information from banks and FIs through online, preservation and electronically run analysis for decision making. This modern software is a full-fledged data center. Various macro-economic data such as import, export, remittance, inflation, information of banking sector, economic research with statistics, monetary policy, banking supervision and credit related all information are centrally preserved and processed here. Banks and FIs can upload various data to Bangladesh Bank web portal through Rationalized Input Template (RIT) format. Using this information, now central bank's monetary policy, currency management and bank supervision policy related various decisions can be taken in no time. This data can also be used for domestic and international research. Preparation of various reports as well as forecasting and time series analysis can be performed using different analytical tools, data analysis, data mining and data modeling by EDW. Users can search and collect various data from this data warehouse as per their requirement. All historical data since 1972 are being converted to digital format and updated in the server.

4.5 Website Development

The Bangladesh Bank's website, launched in 2001, has been redesigned recently with latest technology. It has already been praised by most

users as a rich and informative website. The website contains all updated information necessary for financial and economic research purposes and is fulfilling all demands of the users.

4.6 Intranet Development

In addition to the website, intranet has been developed as a strong base of information management in Bangladesh Bank. It helps take decision and execution process by providing, reusing and sharing data in a timely manner. News on financial and economic sector, published in various national daily newspapers, can be downloaded from the intranet. Besides, updated information related to FX reserve, exchange rate, monthly inflation rate, remittance by non-residents, are shown here through graphs and charts. Digital versions of various guidelines, circulars, forms etc. are also displayed in the intranet. Day to day materials such as phone guide, organizational chart, publications have also been incorporated in the intranet. System has been introduced to get phone number, email ID and other information of all the employees of Bangladesh Bank through Phone Directory module of intranet. Because of the inclusion of leave application, meeting room booking, motor vehicle requisition etc. in the intranet, the day to day activities can now be performed quickly.

With the connection of intranet to various self-developed software, Bangladesh Bank officials can get their required information from their desks. The issuance of access pass for the visitors has been automated through online request by the designated officials. All internal office/administrative circulars or orders of Bangladesh Bank are now distributed through the intranet discontinuing the hardcopy circulation of the same. As a result, employees of head office as well as all branch offices can quickly complete their tasks as soon as the circulars are uploaded avoiding unnecessary printouts or cyclostyles saving huge amount of papers in line with green banking idea. Besides, with the introduction of Document Management System, Central Inward-Outward System and e-noting, Bangladesh Bank is strongly moving forward to be a paperless digital office.

4.7 Implementation of 'goAML' Software

To strengthen Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) activities initiative has been taken to install a modern

and information technology-based system at Bangladesh Financial Intelligence Unit (BFIU) with the help of World Bank. Through this system Suspicious Transaction Report (STR) and Cash Transaction Report (CTR) related information can be collected and analyzed automatically. For online reporting of STR and CTR, goAML software has been procured from the United Nations Office on Drugs and Crime (UNODC). Necessary actions will soon be executed to make the software effective.

4.8 Open Data Initiative

Bangladesh Bank has taken an initiative from September 2011, namely 'Open Data Initiative', to make its vast repository of data accessible to the general public. It's shown in the website of BB. Accordingly, availability of macroeconomic indicators has become easier to access for researchers. 'Monthly Economic Trends' including information on various indicators of Bangladesh Bank can now be easily downloaded by anyone free of cost and into an Excel format. This includes time series and historical data on balance of payments, money supply, various consumer price indices, national accounts, stock price indices, interest rates, remittances, exchange rates, commodity prices, tax revenues etc. These data are updated every month.

4.9 Software Developed by Bangladesh Bank

As a part of automation of Bangladesh Bank's overall activities, eighty five software solutions have been developed under its own supervision which is being used by various departments for important functions. As a result, the efficiency and transparency of Bangladesh Bank's activities have improved significantly. All these software are also maintained by Bangladesh Bank's own manpower. These software products have become very popular among the officials of Bangladesh Bank.

4.9.1 E-tendering

Bangladesh Bank has launched web based e-tendering system for executing the procurement related activities. Since its inauguration on 12 May 2010, these software solutions are being used for various local and international tender processes. Bangladesh Bank is the first among all government, semi-government and autonomous institutions in Bangladesh to implement transparent electronic tendering system for performing various tender related functions efficiently. Local and foreign

companies now can submit their tender related documents in the website. It is a secured tendering system which has ensured transparency as well as removed unexpected complexities. To ensure data security and data integrity of this software, the ICT Security Policy of Bangladesh Bank including audit trials has been followed. As the sensitive information including financial data are preserved as encrypted in the database no user can see those data even if he/she has access to the database.

Till now around five hundred fifty tenders have been executed through this system and one hundred more are under process. Bangladesh Bank has also provided this software to the Bridge Division, Bangladesh as they showed interest to introduce this system at their institution. Many organizations including Rupali Bank Ltd., Sonali bank Ltd., Agrani Bank Ltd., Foreign Ministry and National Kidney Foundation etc. encouraged by Bangladesh Bank are now developing such tendering system. Recently this software received award at the 3rd International Conference 2012 on Industrial Engineering and Operations Management (IEMO) at Istanbul, Turkey organized by American Lawrence Technological University.

4.9.2 E-recruitment

Another pioneering initiative to build digital Bangladesh Bank is e-recruitment. Since 31 May 2009, overall recruitment process including receiving applications is being performed by online recruitment software. Through this system distant applicants can submit application with photo online. All recruitment related functions including receiving applications, selection, delivering admit card, random seat distribution, result announcement, delivering appointment letter are performed through this software. Since introduction this software has been used for appointing more than one thousand employees in 27 batches and several more recruitment processes are under course.

4.9.3 E-library

Bangladesh Bank Library has launched online library management software 'e-library' on 13 May 2012 to provide electronic information service to its users. Thus the employees of the central bank can now download e-book, e-journal and e-magazine from their desks. This e-library has information of five thousand e-books, twenty five thousand

e-journals, three e-magazines with five hundred articles and thirty five thousand books of eighteen thousand titles. This number is increasing day by day. All sorts of library activities including issuance, return and entry of books and journals are now performed by e-library. The users of e-library can login through this software for reserving and issuing a book for forty eight hours depending availability. Besides, users can browse and search for books and journals based on author, title, subject, call number, keyword, publisher and period as well as on alpha-numeric word, subject and articles. Two new services namely 'Institutional Repository (IR)' and 'Audio visual, language and cyber section' have been incorporated in the Bangladesh Bank library. Now it has become possible to get all information of Bangladesh Bank from a single location through IR.

4.9.4 E-news clipping

Bangladesh Bank has started e-news clipping service from 13 May 2012. E-news clipping software has been introduced so that the employees of Bangladesh Bank can read news on various national important issues including central bank, economy, banking sector and socio-economic conditions that are published in various national dailies. Earlier, such news clipping collected from various papers were submitted to high officials only. Now with the introduction of e-news clipping, officers of all level can read such important news online which is enriching their knowledge base. The users of this software can easily search this clipped news.

4.9.5 EXP Online Monitoring System

To make the country's export process speedy, accurate and transparent, EXP Online Monitoring System has been introduced in the central bank on 23 February 2012. However, Online EXP Form Matching System for the commercial banks had started its journey on 1 November 2011. Now export information is directly incorporated to Bangladesh Bank's database from the foreign exchange branch of the banks. Analyzing those information, Bangladesh Bank monitors country's export trade. System has been incorporated in the software so that the commercial banks can monitor their export information themselves. The confidentiality, so that one bank cannot see the information of other banks, has also been ensured. All necessary actions including monitoring the repatriated amount against the exported goods, expired export bills,

discrepancies etc. are now performed through EXP online monitoring software.



Governor Rahman inaugurates the EXP Online Monitoring System

4.9.6 Export and Import Monitoring

Under web-based export and import monitoring system, banks can now upload export and import trade related information. Thus, Bangladesh Bank officials and concerned persons can easily collect daily or contemporary information of country's overall export-import trade.

4.9.7 TM Form and Inward Remittance Monitoring

Banks are now sending outward foreign remittance related information through web-based TM Form Management and inward remittance related information through Online Inward Remittance System. Using this system, Bangladesh Bank and scheduled banks can easily see the remittance related information.

4.9.8 FX Market Monitoring System

FX market related information of various commercial banks, money changers and authorized dealer bank branches are preserved and processed by this software.

4.9.9 Agricultural Credit Monitoring System

Agricultural Credit Monitoring Software is being used for preserving and processing various information related to loan and passbook

distribution, number of cases and volume of interest exemption of agricultural credit distributed by the banks as well as for getting information as per requirement. Thus, preparation of future action plan on agricultural credit has become easier and speedy.

4.9.10 Prize Bond and Sanchaypatra (Savings Certificate) System

Due to introduction of online facilities, people can now easily see result of the draw and match the winning numbers of prize bonds. Sale statements, profit accounts and other information of all kinds of sanchaypatra (savings certificate) sold by Bangladesh Bank and commercial banks are maintained and operated by the Sanchaypatra System. As a result, now investors can buy, take profit and en-cash principal faster and more accurately than earlier.

4.9.11 Medical Information System

All activities of Bangladesh Bank Medical Center including providing prescription to the employees of Bangladesh Bank under medical facilities, updating supply of medicine etc. are operated through Medical Information System. The system is being monitored centrally connecting the medical centers of branch offices to this software.

4.9.12 Training Management System

Yearly training plan, schedule, class routine, registration, release and result, information about the lecturer, evaluation of the lecturer, management etc. have been included in the Training Management System (TMS). Any training related information can be easily collected as all training programs arranged by Bangladesh Bank Training Academy (BBTA) are preserved in this software.

4.9.13 Online Secondary Trading of Treasury Bill and Bond

The online market for secondary trading of Treasury Bills/Bonds has been inaugurated on 17 December 2012. This new system of trading government Treasury bill and bond through online by a Trade Work Station (TWS) like capital market has been introduced. In TWS system no one can know who is buying and who is selling. Here the highest and lowest price, volume and yield of bill and bond of varying tenure are

shown in the ticker. Any person and institution can participate in this transaction. Bangladesh Bank issued a circular on Online Secondary Trading of Treasury Bill and Bond on 13 December 2012.



Governor Rahman inaugurates Online Secondary Trading of Treasury Bill and Bond

4.9.14 Electronic Dashboard

To identify irregularities of FX transactions of banks, Electronic Dashboard has been introduced coordinating four online reporting modules. Through this system all information related to FX transactions including import L/C, back to back L/C, local L/C, local bill purchase, export amount, repatriation of export proceed, outstanding export bill and overdue export bill, inward and outward remittance will be submitted online to Bangladesh Bank. It will ensure close and stronger monitoring and supervision by Bangladesh Bank. Banks can also monitor and supervise their branches using this system. Thus, reporting will be easier, time and cost saving; awareness on FX transaction will be increased; and transactions will be operated as per laws and regulations which will ultimately result in rise of FX reserve.

4.9.15 Large loan Monitoring Software

To collect information for ensuring advanced risk management in case of large loan and for preventing credit concentration, large loan monitoring software has been introduced on 17 February, 2013. Sector wise loan in new 'L' form, amount of non-funded facility transferred to funded loan

and some other issues have been incorporated in it. Under this new system, it will be possible to closely monitor the loan account of all the large borrowers. Now Bangladesh Bank can identify each bank's transfer of non-funded facility to funded loan, gradual changes and its amount and also easily monitor these loans. Besides, in addition to projecting liquidity crisis of banks, Bangladesh Bank can provide quick directions and advice for taking appropriate actions.

In addition to the above mentioned software, Corporate Memory Management, Leave Management, SME Fund Management, Online Portal Service, Asian Clearing Union (ACU) Accounts System, Loan Classification and Provisioning System, Fake Currency Monitoring System etc. are playing an important role in digitization of the central bank. Development and implementation of some other software is under process now. Some of those are - FX Investment System, Circular Management System, Statutory Reserve Monitoring System, and Document Management System etc.

4.10 Establishment of IT Lab

To provide logistic facilities for supporting post-implementation activities of ICT related packages, IT Lab has been set up in the Head Office of Bangladesh Bank.

4.11 Recognition for ICT Development

Bangladesh Bank was honored as 'Digital Champion' in the Software Fair arranged by Bangladesh Association of Software and Information Services (BASIS) in 2011 in recognition to its successful implementation of various programs in ICT sector. Bangladesh Bank was also hugely applauded in Digital Innovation Fair arranged in Dhaka and Chittagong



Bangladesh Bank Senior Executives are being handed over 'Digital Champion' award from Yafes Osman, the state minister for Science and Information and Communication Technology

in 2011. It also received enormous appreciation when it participated in E-Asia, arranged in 2011. As modern banking operation demands modern manpower, Bangladesh Bank has been arranging extensive training both locally and internationally to enhance ICT knowledge of Bangladesh Bank officials.

During the last four years, Bangladesh Bank has been able to position itself as a progressive organization for technological advancement taking initiatives towards digitization of the Bank. These initiatives are working as milestones for materializing the government's dream of 'Digital Bangladesh'. It can be hoped that the pace of Bangladesh Bank's journey towards ICT will continue to speed up in the future.

Digitization of Banking Sector

Bangladesh Bank is trying to take the entire banking sector along with it towards digitization. To develop ICT based digital banking system, Bangladesh Bank has taken a range of initiatives in the last four years. Keeping pace with time, banking system is also quickly adopting technology following central bank's instruction to ensure maximum service for the clients. The banks which are still lagging behind in acquiring modern technology have to move towards digitization as per Bangladesh Bank's instruction. To develop ICT based efficient and secured banking system, Online Banking System, Online CIB Service, Automated Payment System, E-commerce, Mobile Banking System; Online Payment Gateway etc. have already been introduced. National Payment Switch has also been launched recently.

5.1 Online Banking System

Currently online banking has been introduced in thirty seven banks in full swing and partially in four banks out of 47 banks in Bangladesh. The rest six banks are in the process of launching online service. This means around 79% banks of Bangladesh are now providing online banking service. The government banks are lagging behind in developing modern technology. Nevertheless, these banks will soon start online banking for the sake of competition and transparency. Through online banking a customer can receive banking service from any branch of the bank disregarding where his account was opened.

5.2 Online CIB Service

Credit Information Bureau was first established in Bangladesh Bank on 18 August 1992 under Financial Sector Reform Project (FSRP) advised by World Bank. CIB's goal is to help prevent extension of default loan and renewal or re-endorsement of loan to credit defaulter by providing credit related information of a customer to banks and FIs.



Governor Rahman and DFID representatives at the opening ceremony of CIB Automation Project

Earlier it took a long time to provide CIB report under manual arrangement. To ensure quick sending of CIB report to its users, Bangladesh Bank started the CIB online project by an internationally renowned institution on 6 December 2009 with the financial assistance of UK based DFID. Bangladesh Bank inaugurated long cherished CIB online on 19 July 2011. Online CIB service is a web-based solution. Since introduction of this service, time and operation cost of banks and FIs reduced significantly. Now banks and FIs can send updated credit information of their clients month wise as a batch in/to online.



Governor Rahman and the representatives of donor agencies at the opening ceremony of CIB online service

They can also collect credit information swiftly searching from their own offices. The function of CIB is getting larger day by day in line with the increase of economic activities, as well as the number of creditors, banks, FIs and their branches.



Governor Rahman inaugurates CIB Online Service

Before the launching of the CIB online service, around five thousand inquiries were received daily from the banks and FIs for collecting CIB report. Bangladesh Bank could provide maximum four thousand CIB reports daily with its existing manpower while rest one thousand were kept adding in the backlog. Moreover, it would take five days on an average and a month in some cases to provide a CIB report. As a result, credit delivery process was lengthy. With the help of online service, now it is possible to get a CIB report within few seconds. Banks and FIs are now able to disburse credit to their clients quickly because of quickening of the process of getting CIB report.

5.3 Bangladesh Automated Clearing House

In the end of 2006, Bangladesh Bank started to implement a quick, secured and modern payment system under Remittance and Payment Partnership (RPP) project with the financial assistance of the British government. Bangladesh Automated Clearing House (BACH) started its journey in October 2010 which has brought blessings to the country's banking sector. With this system the clearing process has been transformed into a world class technology-based image exchange process. The two parts of Bangladesh Automated Clearing House are as follows:

a) Bangladesh Automated Cheque Processing System (BACPS)

With the participation of 47 banks of the country, BACPS started its operation within Dhaka clearing area since 7 October 2010. Later, this

operation was extended to other regions of the country. In this system, Cheque Imaging and Transaction System (CITS) are used to electronically execute transaction of bank instruments. In this regard, all clearing instruments e.g. cheques, drafts, pay orders, dividend and refund warrant have been standardized. Each instrument was encoded with Magnetic Ink Character Recognition (MICR) line, which includes information on the amount, transaction code, clients account, routing number and the cheque leaf's serial number.

Now the bank officials do not have to come to the clearing house twice each day under this new cheque clearing system. Thus, the time and clearing cost of participating banks has reduced significantly; the pace in settlement of inter-bank transactions has also increased. The number of high value cheque transaction has increased five times which suggests the acceptability of this clearing system. Currently about 1.6 million cheques and other instruments worth of around 820 billion taka are being cleared through this BACPS each month.

b) Bangladesh Electronic Funds Transfer Network

Under Bangladesh Automated Clearing House, Bangladesh Electronic Funds Transfer Network (BEFTN) has been started for the first time for interbank transaction in addition to cheque clearing system. A wide variety of credit transfer applications such as payroll, foreign and domestic remittances, company dividends, retirement, bill payments, corporate payments, tax payments, government license fees and person to person payments as well as debit transfer applications such as mortgage payments, membership dues, loan payments, insurance premiums, utility bill payments, etc. are settled under the network. It brings down the operational cost, reduces risk and increases the efficiency of the payment process. Currently, approximately two hundred thousand EFT-credit and two thousand EFT-debit transactions worth 17.40 billion taka and 1.29 billion taka respectively are being processed per month on an average with an increasing trend. Various ministries of the government are paying salaries to employees using this Electronic Fund Transfer Network. Gradually all government payments will be made through this.

Bangladesh Automated Cheque Processing System and Bangladesh

Electronic Funds Transfer Network are two huge achievements for the country's banking system. Undoubtedly this will be considered as a milestone to fulfill the dream of building Digital Bangladesh.

5.4 E-commerce and M-commerce

Electronic commerce, commonly known as e-commerce, is a process where buying and selling of products is conducted online. Although new, this system has become much popular in Bangladesh. The total number of debit-credit card holders has surpassed 4.6 million which has created scope for spreading e-commerce and m-commerce in the country. Through e-commerce we can supply our products to world market from our home as well as meet our demand from it.



Governor Rahman addresses the inauguration ceremony of E-commerce Week

Bangladesh Bank has instructed all scheduled banks for starting e-commerce for online utility bill payment, online transferring of fund from one account to another and credit card based internet payment. Two banks have already started e-commerce activities whereas the remaining banks have promised to start e-commerce at the earliest. To promote e-commerce in the country, Bangladesh Bank and BASIS (Bangladesh Association of Software and Information Services) had jointly arranged 'e-commerce week' from 05-11 January 2013 with the slogan "Shop Online-Anything, Anytime". Already some e-commerce sites have been launched in the country. Some of those are - akhoni.com, clickbd.com, ajkerdeal.com, meenabazar.com.bd, rokomari.com etc.

To start m-commerce in Bangladesh, Bangladesh Bank has given approval to three mobile phone operators (Grameenphone, Banglalink and Citycell) to sell railway ticket and international cricket match ticket using mobile technology.

5.5 Mobile Banking Service

The mobile banking has been introduced to modernize the banking system of Bangladesh. This has been done for extending the banking services using the network of mobile operators in order to substitute conventional branch banking systems. In order to bring the vast unbanked/under-banked population under the umbrella of formal financial service, Bangladesh Bank has taken steps to introduce bank-led mobile financial services. Disbursement of inward foreign remittance and domestic fund; payment of utility bills, salary, allowances, pension; buying and selling of goods and services; balance inquiry; tax payment; government subsidy payment and payment of the benefits of social safety nets can easily and quickly be provided through mobile financial services. The opportunity to provide this service 24/7 is making it up-to-date and admired.

Bangladesh Bank has taken many policy initiatives to make the MFS more effective. The Guidelines for Mobile Financial Services was issued



Governor Rahman inaugurates mobile banking service of Mercantile Bank Ltd.

on 22 September 2011. Approval for starting MFS was given to 26 banks till date out of which 18 banks have started the same. These banks have engaged one hundred thousand persons and institutions as agents for providing mobile banking services country-wide. At the end of April 2013, the number of mobile banking customers crossed 5 million. More than 6.6 million people opened mobile banking accounts till June 2013.

The total amount of transaction only in June 2013 is Tk. 42.1 billion. The

average daily volume is about Tk. 1.4 billion. Volume of transaction is gradually increasing. The mobile network operators through their outlets are collecting utility bills in average around half a million bills per month. Approximately twelve thousand railway tickets are being sold per month using mobile financial services.

5.6 Online Payment Gateway

Online Payment Gateway Service Provider (OPGSP) plays an important role as an easy medium to send home the large volume of small foreign income earned through free lancing ICT service. Bangladesh Bank has instructed the Authorized Dealer (AD) bank branches to take help of OPGSP to bring these foreign earnings home at a low cost. Though



Governor Rahman inaugurates the service of 'AlertPay' through Bank Asia Ltd.

initially USD 500 was the highest limit to bring through OPGSP, now it has been extended to maximum USD 2000. Bangladesh Bank will consider further extension of this limit observing the inflow of these earnings. Through exporting various ICT services via internet including free lancing service, foreign earnings can be repatriated by means of TT or bank draft and online payment. With the initiative of Bank Asia Ltd, a Canada based international institution for online money remitting named 'AlertPay' has started its operation in Bangladesh. Bangladesh Bank as well as Bangladesh government has taken necessary initiatives to include Bangladesh in PayPal's service net. It is expected that very soon Bangladesh will be covered by the service of PayPal.

Besides, Bangladesh Bank has given its nod to use virtual cards including international credit card to pay membership fee of foreign professional and scientific bodies, all fees related to foreign study, TOEFL/SAT fee etc.

5.7 Business Process Outsourcing Service

Recently Bangladesh has been identified as one of the most potential destinations for ICT service in a research paper by the international financial audit firm KPMG. Now Bangladesh is being considered as an alternative destination for ICT service due to hike in the business cost in ICT developed country especially India and the Philippines. Besides, the number of English learned young ICT workers has also increased significantly in Bangladesh. Over and above, the capability of Bangladesh to competitively progress in this sector has much improved. Considering all these, Bangladesh Bank has developed a business friendly regulatory regime eliminating the regulatory barriers. With the spread of ICT, Bangladeshi residents and institutions now can provide Business Process Outsourcing (BPO) service to the other countries. The income generated from exporting software and ICT service, freelancing etc. can be easily repatriated through the authorized dealer bank branches. Bangladesh has also scope to export business service, professional/research works, consultancy etc. in addition to ICT service. Necessary instructions have been given to the authorized dealer banks to repatriate the foreign currency earned through providing these services including other non-agency services. Software/ICT service providing companies can remit outward an amount of USD 10,000 each year in excess of their maintained balance in ERQ account to meet real business purpose.

5.8 National Payment Switch, Bangladesh (NPSB)

To make the payment systems of Bangladesh more efficient and dynamic, Bangladesh Bank has launched National Payment Switch (NPS) on 27 December 2012 for introducing online based interbank transactions within the scope of national information and communication policy. Bangladesh Bank has issued a comprehensive circular on 24 December 2012 to implement NPSB. Though initially it was started by Pubali Bank Ltd, Southeast Bank Ltd and Dutch-Bangla Bank Ltd but later joined by quite a good number of banks to provide

similar service to their clients. Several other banks are in the testing level. All banks will come under the scope of NPSB within a very short time. The switch is expected to create a single, integrated and effective platform for settling interbank electronic payments derived from different channels such as Automated Teller Machine (ATM), Point of Sale (POS), internet, mobile application etc. Under this system, card holders of a bank can withdraw money from other banks' ATM booth without any additional charge which will reduce the cost of both the customers and the banks. The main goal of establishing National Payment Switch is to set up a common platform for already privately established interbank and partnership switches i.e., the existing three thousand ATMs and two and a half thousand POSs for clearing and settling electronic transactions. Once fully implemented in the banking system, country's e-commerce activities will be safer, faster,



Governor Rahman inaugurates the National Payment Switch

sophisticated and reliable through the electronic settlement of all financial transactions. Then banking sector of the country will further move towards green banking. Thus, the network of card based payment will widen. People will use VISA, Master Card, credit and debit card more frequently. NPS will act as a mother switch which will connect all the switches already in place in the private sector of the country including Public Accounts Department (PAD) of Bangladesh Bank. Online payment of government bills through using NPS card and account number will be much easier. As a result of NPS introduction, any seller or service provider can receive the payments of their product or service

through card or internet banking using their own web portal. This will reduce the risk of carrying cash as well as the demand of cash.

The diverse use of information technology, consistent with the government's noble objective of building Digital Bangladesh, has made the financial sector of the country dynamic, fair and public welfare oriented. GDP growth of the country can be increased through using information technology in the banking sector; because superior banking facilities enabled by ICT become affordable by the common people and easier banking service encourages people's tendency to save. Therefore, all concerned entities should come forward to improve the financial services with the help of modern ICT.

Changes in Supervision of Bangladesh Bank

The entire nation is experiencing economic growth and development together with the expansion and changes of the financial sector of Bangladesh. The people of those places, where there are bank branches, can sense the impact of these changes. Currently 56 scheduled banks and 31 FIs are operating in the country under close supervision of Bangladesh Bank. The banks have collected Tk. 5660 billion as deposit against disbursing Tk. 4239 billion as credit. The FIs, though are not as big in size as the banks, have been providing very important specialized banking services like lease financing, home loan and project loan for the convenience of the small, medium and large entrepreneurs. The contagion nature of worldwide economic downturn has been observed over the last few years. This financial contagion is a situation where crisis of a large bank affects other banks. This means when a part of a financial sector affects the entire financial sector, it can be called as financial contagion. Bangladesh was not affected with this financial contagion. However, considering the changed circumstances after global recession, Bangladesh should be watchful. In fact, the importance of coordinated supervision is unlimited to protect the interest of the depositors and maintain stability in the financial sector. The experience of global recession has encouraged the central banks and the regulators to correctly maintain the 'macro prudential' structure to ensure economic stability. In light of this experience, Bangladesh Bank is emphasizing strengthening capital adequacy structure of the banks, re-fixation of reserve structure, strengthening risk management process and module, introduction of 'stress testing' technique to forecast 'systematic risks', ensuring transparency in disclosing information and finally on strengthening supervision structure. At the same time, Bangladesh Bank has made various policy related, institutional and legal reforms in light of international best practices to face the forthcoming challenges.

6.1 Offsite and Onsite Supervision

Under section 7 of Bangladesh Bank Order 1972, Bangladesh Bank has been given responsibility to supervise the activities of all banks and FIs operating in the country. Bangladesh Bank conducts two types of supervision activities to maintain overall stability in the banking sector and develop the same as well as to protect interest of the depositors. These are offsite or reporting based supervision and onsite or field level supervision.

Offsite supervision plays an important role in evaluating the financial capabilities of the banks/FIs, identifying their problems and supervising those closely through CAMELS rating based on the reports submitted by the banks and FIs. Various indicators of rise and fall in the banking sector are closely observed in the offsite supervision. Arranging meeting with banks' management, Bangladesh Bank advises to regularize the anomalies detected during offsite supervision. Bangladesh Bank also evaluates the minutes of board meetings, executive committee meetings and audit committee meetings of the banks and if any irregularity is detected, Bangladesh Bank sends them letters to regularize those accordingly.

On the other hand, under onsite supervision, field level inspection is conducted to scrutinize the banks' activities. Under annual comprehensive inspection program, each bank's head office and some other large branches (which cover 70%-80% of total loans) are inspected each year. Rests of the branches are inspected in an interval of three or four years. The main goal of comprehensive inspection is to assess the quality of assets especially loan and advances of the banks. Besides, inspections on FX transactions, treasury activities and anti-money laundering activities are also conducted in the banks. FX transactions of money changers are also inspected. Bangladesh Bank conducts procedural inspection on banks' core risks e.g. asset liability management (ALM), credit risk management (CRM), FX risk management, anti money laundering risk management, internal control and compliance (ICC), information and communication technology (ICT) etc. In addition, special inspections are also conducted based on the complaints received from customers, depositors, public and institutions or special needs. Various irregularities such as fraud-forgery, fund embezzlement by the banks are unveiled through special inspection.

6.2 Strategic Change in Supervision

Recently Bangladesh Bank has started bringing strategic changes in its existing supervision procedures to monitor banking sector for maintaining more stability in the financial sector. BB has started continuous monitoring of the overall banking sector through innovative measures keeping principal focus on risks. To ensure corporate governance in bank management, Bangladesh Bank's monitoring has been enhanced in the areas of responsibility and accountability of board of directors, board's chairman, and chief executives in financial, procedural, administrative, policy related and executive activities including overall banking activities including credit and risk management, internal control, human resource management and development, income-expenditure etc. Special emphasis has been given on monitoring the proper compliance of the instructions given at different times for following the risk management guidelines for risk identification, evaluation and control of banks' multifaceted activities.

6.2.1 International Best Practices

Bangladesh Bank is working to improve both the offsite and onsite supervision maintaining its strict monitoring. Maximum priority is being given to enhance the effectiveness of bank supervision and to maintain strict monitoring in the banking sector. Under synchronized supervision structure, prudential regulations are being made consistent with the international best practices, legal framework is being strengthened and internal coordination between onsite and offsite supervision is being enhanced. Adequate monitoring has been enforced to develop risk management framework and to prevent money laundering and terrorist financing for mitigating risks of the banks. If any violation of prudential regulation is observed, appropriate punishment and penalty are being imposed. Instructions are also being given to the banks to take legal and administrative actions against those involved in fraud-forgery and other major irregularities observed during supervision.

Strengthening Capital Base

Capital adequacy is one of the indicators of banks' financial soundness and stability. Therefore, Bangladesh Bank has emphasized on following international best practices in an effort to strengthen the capital base of the banks. In the meantime, Basel II related to banks' capital adequacy

has been fully implemented. Banks have been able to maintain 11.31% and 10.85% of risk weighted assets as capital as on 30 June 2012 and 30 September 2012 respectively against mandatory requirement of 10% as per Basel-II.

It can be noted that capital base of banking sector has expanded significantly in the last four years due to strict monitoring of Bangladesh Bank. This has happened as large portion of bank's profit has been retained as capital through bonus shares. Banks used to maintain risk based capital as per Basel-I requirement till 2008. Under this policy, total maintained capital of banks stood at Tk. 205.78 billion at the end of 2008. In contrast, total maintained capital of banks has increased to Tk. 562.01 billion in last three and a half years (June 2012) in the same way the required capital of banks under Basel-II has increased. This means in the last three and a half years capital of banking sector has increased by Tk. 356.23 billion; the overall growth of capital maintained was 173%. Bangladesh is in a stronger position in terms of capital adequacy than many other countries.

Initiatives are being taken to implement Basel-III in many countries amending and changing international best practices as a consequence of the concerns raised over financial stability in post global recession. A roadmap has been prepared as a primary step to implement Basel-III in Bangladesh. Efforts have been continued to move forward as per the roadmap.

Loan Classification, Provisioning and Rescheduling

To make the overall condition of banking sector sound and stronger, a circular was issued in September 2012 to improve the loan classification, provisioning and rescheduling policy to international standard as a part of close monitoring process. Loan classification must be realistic and rational to assess the true picture of expected and unexpected loss of bank loans. As per the new rule, the loans, overdue for more than two months, will be classified as 'Special Mention Account (SMA)' and the loans overdue for three to six months will be classified as 'Substandard'. However, the definition of default loan will remain unchanged as per the relevant provisions of Bank Company Act. This means a loan cannot be called 'default' unless it is overdue for a period of six months or more. In this new policy, initiatives have been taken to discourage default loan by increasing provisioning.

There is no alternative to realistically fixing a rescheduling limit for efficient and effective credit management. In an effort to bring the banks out from its culture of rescheduling repetitively, rescheduling of a loan for more than three times has been prohibited in this changed rescheduling policy. However, Bangladesh Bank will consider relaxing in some special circumstances like stock lot problem of export oriented garments industry and national priorities on case to case basis.

On the one hand, this realistic and modern loan classification, provisioning and rescheduling policy will improve transparency and discipline in banking sector, on the other hand, the scope of superior banking facilities for the real entrepreneurs and businessmen will broaden. The chances of their getting loan easily will also be increased.

Risk Management

To maintain stability in banking sector through effective risk management, banks have been instructed to form Risk Management Unit (RMU) to identify existing risks, analyze and mitigate those and take early cautions. A separate monitoring unit has also been formed at Bangladesh Bank to oversee risk management activities of banks. A comprehensive guideline on risk management has been formulated in 2012 to create an international standard risk management environment in Bangladesh financial sector. Besides, initiative has been taken to amend the guideline on six risks management formulated in 2003. It is expected that the new guideline will be easier and more convenient to use.

Introduction of Stress Testing System

To assess risk absorption capacity of banks and FIs, Stress Testing system has been introduced. Through quarterly stress testing, credit, market and liquidity risk management can be improved due to measuring elasticity of banking system against plausible shocks. This is helping the banks to take necessary and corrective actions for risk mitigation as cautionary measure. Banks are also slowly paying attention to possible risks and taking preparations accordingly. Bangladesh Bank is also building capacity of its officials to oversee how efficiently the banks are performing the task.

Review of CAMELS Rating Guideline

Reviewing of the existing CAMELS rating to adapt with international best practices, upgrade with modern banking activities and accurately assess

the banks' soundness is in the final stage. Overall soundness of a bank is measured with this rating.

6.2.2 Recent Changes in Supervision Activities/Program

It has been quite a long time since Bangladesh Bank has started various reforms and restructuring activities in financial sector supervision framework. Formulation of inspection and review reports on various issues of banks' activities and financial statements have been started. Vigilance and Foreign Exchange Inspection Department has been separated and restructured. Recently process has been started to develop electronic dashboard in a bid to identifying the trends of possible irregularities and fraud-forgery from the data collected from banks' financial statements and various departments of Bangladesh Bank. Special Task Force has been formed to follow-up the possible reprehensive activities. Banks have been instructed to submit export and import trade related information including Inland Bill Purchase (IBP) to Bangladesh Bank through online. Banks are suggested to prepare themselves technologically for transparency and accountability in providing information. Bangladesh Bank itself has initiated developing appropriate software.

Quick Review Report

For the purpose of identification of the existing risks of banks especially in the area of capital, asset, management, earning capacity, liquidity, sensitivity to market risk etc., Quick Review Reports (QRR) are now being prepared on a quarterly basis.

Formation of Financial Integrity and Customer Services Department

Customers' Interest Protection Center (CIPC) has been opened in the Head Office and branch offices of Bangladesh Bank to quickly redress the grievances of customers and to attend the complaints received against the standard of banking service. A hotline number '16236' is always open for listening to complaints from depositors, customers or ordinary public and any institution. A new department 'Financial Integrity and Customer Services Department (FICSD)', has been established reforming the earlier CIPC for extending its activities and scope, and accelerating the solutions of the complaints. Huge number of customers has taken this service and lots of new complaints are coming

every day. Bangladesh Bank is also playing a supportive role in disposing those complaints.

New Directions to Prevent Fraud-Forgery

In addition to the credit risk, liquidity risk, operational risk, FX risk, money laundering risk have become a threat to the banking sector. The main reason of recent financial fraud-forgery in Bangladesh banking sector is the weakness in internal control and audit. A circular was issued on 7 November 2012 instructing the banks to submit self-assessment report on internal audit and control of a bank signed by its CEO and countersigned by the chairman of the audit committee of the board to be submitted to Bangladesh Bank quarterly to prevent fraud and fraudulent activities. As a result, the accountability of board and management can be ensured. A standard format has also been attached for sending assessment report containing more than 50 criteria on internal control and compliance, general banking operations, loans and advances, and information technology etc. Bangladesh Bank has decided to examine and inspect onsite, if required, based on the submitted self assessment report on the basis of effectiveness of internal control mechanism for preventing fraud-forgery in the perspective of the responsibilities of the board of directors, chairman of the board and the CEO.

Direction to Purchase IBP

Following detection of huge irregularities recently in Inland Bill Purchase (IBP) in domestic and foreign currency in the branch level, Bangladesh Bank on 11 July 2012, instructed the banks to take prior approval from the banks' head offices instead of branches' in order to shift discretion of branch to head office to purchase inland bills. Also, authenticity of the supply of goods against the bills should be ensured before approval. The inspectors of Bangladesh Bank, during bank branch inspection, have been advised to pay a sharp attention to approval and payment of such bills.

Introduction of Financial Projection Model

With the assistance of the World Bank, initial preparations have been completed for introducing the Financial Projection Model (FPM) for determining the strengths and weaknesses to face probable shock on the basis of historical data and projection. Once it is fully implemented,

it will be easier to get early warning of banks' financial status analyzing realistic scenarios, to identify risks and to take policy decisions accordingly. With the implementation of this modern supervisory tool, Bangladesh Bank's overall supervising capacity will increase to assess risks of each bank.

Introduction of Electronic Dashboard

An Electronic Dashboard has been set up in Bangladesh Bank to assist identifying the probable irregularities and fraudulent activities from the data collected from banks' financial statements and various departments of Bangladesh Bank. This dashboard will enable to detect any anomaly of banks' off-balance sheet items immediately and actions can be taken accordingly. All export, import and inland bill purchase related data will hit this dashboard in a real time. Monitoring and supervision of FX transactions will be more effective by using this dashboard through better coordination between the offsite and onsite supervision of Bangladesh Bank. From now on, Bangladesh Bank onsite supervisors can conduct their branch inspection more specifically by collecting information from the dashboard before going to branch.

Corporate Memory Management Process

Web-based corporate memory management has been launched for preserving various actions violating banking discipline by the officials and directors of banks and FIs, taking appropriate decisions on the basis of evaluating that information and implementing accordingly. In this process some important information have already been preserved identifying some officials and directors of various banks in the existing financial context of the country.

Formation of Financial Stability Department

In 2012, 'Financial Stability Department (FSD)'- a new department has been established in Bangladesh Bank to research on the overall economic stability of the country, forecast economic risk and recommend required policy after evaluating the stability of the financial sector. This department has been publishing annual Financial Stability Report. This department will be able to identify the probable risks of not only the banking sector but also the entire financial sector in the primary stage. It will create a new horizon of micro-prudential supervision. Micro-prudential supervision is a monitoring system that

monitors the entire financial sector and discovers the early signals of the problems that a bank transmits to other banks or a part of financial sector affecting the whole banking sector. This department will analyze credit growth, interest rate, exchange rate, capital flow, asset price e.g., share, real estate and surrounding circumstances and also take risk management actions. This department will formulate effective policy and regulations during financial crisis.

Formulation of Financial Stability Report

Financial Stability Report has been prepared in 2010 and 2011 showing activities of banks and FIs and analysis of economic situations. This report contains analysis of inter-relations among various organizations of financial sector, assessment of probable risks concerning banking sector and their shock absorption capacity, as well as analysis of information related to the infrastructure and development of the financial sector. This report has been able to convey clear message to international arena how Bangladesh is capable of facing macroeconomic risks. In maintaining stability of financial sector, i.e. analyzing capacity, weaknesses and risks of the financial sector, banks have started taking initiatives to tackle the possible risks.

Diagnostic Review Report

Diagnostic review Report (DRR) is being prepared regularly to evaluate overall condition and mandatory disclosures of banks. The main objective of such report is to assist banks improve their financial condition by closely monitoring their activities considering the gravity of the weaknesses and irregularities mentioned in the report.

Monitoring Liquidity Management

Liquidity crisis of a bank can hamper its reputation, increase the cost of fund and decrease the profit which ultimately affects customer service. Though it is a responsibility of the banks to manage and determine liquidity flow, Bangladesh Bank has also taken initiatives to monitor this issue. Introduction of two more indicators (liquidity coverage ratio and net stable funding ratio) in light with Basel-III is under process. Relevant information from the banks are being collected and analyzed. New technique for analysis based liquidity monitoring will be implemented soon.

Coordination between Offsite and Onsite Supervision

The irregularities revealed by the Department of Offsite Supervision through analyzing the reports submitted by the banks are sent to Bank Inspection Departments for verifying onsite. It is expected that irregularities of banks will come down. Joint inspection framework is now developed consolidating all inspection reports. On the basis of these reports special inspection teams have been taking actions quickly and detecting irregularities. As a result hundreds of bankers have been sacked or temporarily discharged and brought under punishment and fine.

Skill Development of Inspectors

Recently initiatives have been taken to accelerate supervisory activities of Bangladesh Bank. Onsite supervision keeps its eye on risks associated with banking activities in a rearranged approach. Local and foreign trainings have been arranged for bringing excellence among the inspection related manpower. Famous local and foreign specialists have also been associated with this.

Quick Preparation and Submission of Report

In the existing system, it takes long time to prepare inspection report and submit it to the board of directors of the banks. Consequently, the observations of inspection and the corrective recommendations sent to the banks become outdated. Bangladesh Bank is well aware of preparing and sending inspection report quickly bringing changes in the existing system. Now more focus is being given to risky areas instead of procedural discrepancies.

Evaluation of Banks' Internal Audit Program

Internal audit and control, risk management and corporate governance of banks are being evaluated in details. More attention is now being paid to the process of loan approval, proper use of loans and the overall collection process. Now banks are required to uphold improved management excellence with these issues. Internal audit's responsibility is to monitor the effectiveness of internal control mechanism in managing banks' risk. Bangladesh Bank's inspection teams are evaluating banks' internal audit's activities in this area.

6.2.3 Risk Based Inspection

The banking sector is changing rapidly worldwide. Therefore, to play supervisory role of banking sector, central bank is also required to bring changes. Traditional perception or concepts and methodical processes are not enough in the new context. Like other countries, the banks of



Governor Rahman at the Bank's Town Hall meeting of Khulna region

our country also have many threats and weaknesses. Identifying those threats and weaknesses, necessary preventive measures should be taken. Legal reforms are under way to remove legal limitations. The conversion of Bangladesh Bank's existing compliance based supervision to risk based supervision is under process. Risk based supervision is a technique of looking into previous activities as well as the future's. Under this system the weaker areas of banks can be prevented before further deterioration. In this regard emphasis has been given to use information technology in other words to modernize the banking system so that updated information can be quickly collected from the banks. Special emphasis has been given on how the procedural risks involved with bank's credit and other business activities can be faced strengthening corporate governance and internal control process of banks and monitoring activities of Bangladesh Bank.

6.3 Supervision Related Town Hall Meeting

In order to formulate required policies for bringing coordination among Bangladesh Bank's supervision related activities several town hall

meetings, with the participation of the concerned officials, have been arranged nationally and regionally to know the reality from the field level supervisors and further strengthen supervision activities accordingly through forming a new framework/structure of supervision.



Governor Rahman addresses the first Town Hall meeting in Dhaka

The inspectors of the branch offices of Bangladesh Bank may often think themselves disconnected from the ongoing changes in the financial sector. As the head offices of all the banks are situated in Dhaka; discussions and decisions on all government/non-

government issues on national level are taken place in Dhaka. Still a significant portion of the country's economic activities are extended outside Dhaka. Therefore, supervision has a role to protect the interest of the customers outside Dhaka and improve the reliance and service standard in branch level. So more attention are now being given to the branch offices. The branch offices are playing an important role to implement the financial inclusion program especially loan disbursement and collection in agriculture, SME, women entrepreneur and environment friendly sectors and the activities of Customers' Interest Protection Center for improving standard of customer service. Taking these into consideration, a number of town hall meetings had been arranged in last two years.

In these meetings necessary instructions were given to field level supervisors. They were instructed to use their prudence to closely look and verify whether creditors of the branch really exist, banks are concealing their true relation, head office are giving less attention to a branch that has comparatively lesser volume of transactions or the distance from head office, less number of face to face meetings are arranged with the executive management, and there are possibilities of internal and external fraud due to some other reasons. Moreover, the primary ideas obtained from these town hall meetings played a supportive role to formulate and effectively implement the proper policy and guidelines for maintaining stability in the financial sector in future.

Town Hall Meetings - at a Glance

Date	Place	Office covered	Topic
17 September 2011	Dhaka	Head Office, Dhaka	Contemporary Challenges in the Banking Sector and Supervisory Stance
18 March 2012	Chittagong	Chittagong, Sylhet	-
12 April 2012	Barisal	Barisal	-
15 July 2012	Rajshahi	Rajshahi, Bogra, Rangpur	Stronger Branches, Stronger Banks: Controlling Risks and Enhancing Returns at the Branch Level
11 November 2012	Khulna	Khulna	Financial Integrity: Managing Operational Risks and Avoiding Serious Losses at the Branch Level

Under the new rules of classification and provisioning, banks are required to maintain adequate provision against all possible losses due to borrowers' incapability or indifference to repay loans. Field level inspectors are responsible to assess the appropriateness of banks' loan classification. Therefore, in the town hall meetings supervisors are given an overall concept on the mandatory maintenance of provisioning under the new rules. In addition, they are also advised to pay special attention to the standard of management of the branches as well as to discuss with the employees of the branches, to enquire and listen to their opinions closely and take ideas about their efficiency and beliefs. Illegal and irregular activities of branches can be often learnt from the discussion with the lower level officials of branches. Illegal and unethical activities of branches observed from loan related documents or some other way are brought into the notice of the branch management as well as high officials of BB. The irregularities that are identified in the branch level give signal in most cases to similar ill motives existing in the regional or head offices.

6.4 Implementation of GM Conference Recommendations

To sharpen the effectiveness of financial sector monitoring, a conference with the participation of the officials ranked General Managers and above was held at the Head Office of Bangladesh Bank on 22 September 2012. The functions of inspection and supervision departments have



Governor Rahman addresses the plenary session of 'GM Conference 2012' in Dhaka

been reshuffled as per the recommendation of that conference. Divided into four groups, the participants discussed on (i) inspection and evaluation of banks own monitoring and internal control to identify and prevent fraud-forgery, (ii) assessing the possibility of identifying fraud/forgery/severe violation of regulations by the banks from the reports of offsite supervision program and financial statements of the banks, (iii) strategy/technique to improve the proficiency of Bangladesh Bank's inspection teams for identifying the major weakness/irregularities of the inspected branches or head office of banks and (iv) identifying the unauthorized FX dealings and capital laundering activities, and the strategy to enhance the activity and capacity of inspection teams to prevent those. Later the teams, gathering together in the plenary, presented their recommendations. The discussion sessions were enriched through the participation of two supervision specialists of Bangladesh Bank, provided by the International Monetary Fund (IMF). In the concluding session of the day, some specific recommendations were received from the high executives on required actions to be taken by Bangladesh Bank in short-term and long-term; on the basis of that, measures are under way for improving and making the existing supervision more effective. Emphasis is being given to special inspection in the branch level in the high risk areas. Identifying the probable risks on the basis of analysis and evaluation of information collected offsite, onsite inspections are being conducted in the branches.

6.5 Strengthening supervision framework

Executive Retreat-2013 was organized during 5-6 July 2013 at a hotel in Dhaka with the participation of all senior executives of Bangladesh Bank starting from General Managers. The key focus of this year's retreat was strengthening the supervision framework of Bangladesh Bank. On the second day, Dr. Mohammed Farashuddin, former governor, conducted a session on 'Banking Supervision: Emerging Challenges and Evolving Tools'. Md. Nurul Amin, chairman of ABB, Mohammad Hossain, former managing director of Sonali Bank and Glenn Tasky, Banking Supervision Advisor of BB spoke on the occasion. There were also power point presentation and case study highlighting challenges ahead to keep stability in the financial sector and to fight irregularities in the banking sector.

6.6 Formation of Bank Supervision Taskforce

A Taskforce led by an executive director and consisting of general managers of bank supervision related departments has been formed in order to enhance the coordination and cooperation among the bank inspection departments for strengthening regulation of banking sector and maintaining proper bank management and corporate governance. This 'Taskforce' meets at least once in a month for evaluating the progress of bank supervision related activities. This meeting reviews the recent inspection activities and the major irregularities found there from, coordinates the activities of the inspection departments, and takes measures to improve the practical knowledge and skills of the inspectors. It also coordinates the activities of Risk Detection and Mitigation Advisor and Risk Detection and Mitigation Associates operating in the bank. The top management of the bank is regularly updated with the summary of the reviews in the taskforce meetings and recommendations of the same.

6.7 Achieving Egmont Group Membership

Bangladesh Financial Intelligence Unit (BFIU) has very recently become a member of Egmont Group, an international forum of the Financial Intelligence Units. Presently 139 countries are members of this group. Bangladesh's membership was approved at the annual convention of the group held in Sun City of South Africa in June 2013.

This membership is a giant stride in combating money laundering and terrorist financing in Bangladesh. This will facilitate BFIU's



BFIU chief and Deputy Governor Abu Hena Mohammad Razi Hassan receives membership ID from a representative of FIU.

information exchange with other members. It will play a significant role in preventing money laundering, terrorist financing and bringing back siphoned off money. This membership has brightened Bangladesh's image internationally.

6.8 Appointment of Advisor

To detect and prevent tendency to fraud/forgery activities of the banks, a local commercial bank expert has been appointed recently as 'Risk Detection and Mitigation Advisor' to prescribe recommendations after identifying existing policies, processes, assessing effectiveness of techniques and methods and detecting loopholes in the internal control and audit program of commercial banks. In addition to impart training to the concerned officials of BB, he will formulate recommendations for future actions. He has already prepared a draft report and has been imparting hands-on training to the inspectors of BB. As per the recommendations of that report, preventive instructions will be given to the commercial banks soon. Moreover, two expert foreigners have also been appointed as 'Risk Detection and Mitigation Associate' in financial assistance with the IMF. They are identifying the limitations after surveying the activities of supervision departments of BB.

Some changes are ensuing in onsite inspection very soon to develop the country's banking sector as an efficient and effective model. Recently some policies and guidelines have been issued; some of those are totally new and the rests are important amendments. The process of strengthening regulation and supervision of BB including special monitoring on banks' risk management, corporate governance and internal control and audit program will continue to get highest priority

also in the upcoming days. The supervision culture of Bangladesh Bank is changing undoubtedly. However, changes usually take time. Nevertheless, the pace of bringing desired changes by BB in supervision techniques using information technology is worth mentioning. But there is no scope of being complacent. Though fraudulent activities are undesirable, it is not completely preventable; such instance is also not rare in the developed world. Nonetheless, Bangladesh Bank's monitoring over the banks' awareness and efforts to prevent repetition of such activities are going to be harder. The mentality and preparation to regularly upgrade the qualitative standard of supervision should be maintained. There is no other alternative to keep the banking sector safe which is considered as the heart of an economy.

Modernization of Payment System

In today's world, one of the major functions of central banks is to develop and maintain the payment clearing and settlement system. Bangladesh Bank has been playing its role with sincerity and expertise. The traditional cheque clearing system of the post-liberation period was later upgraded to a semi-automated system in the 90s using computer technology. That system seemed outdated in coping with the requirement of fast settlement of ever-expanding business transactions. In light of this, Bangladesh Bank in recent years has notably increased the rate of using computer technology in its everyday activities in addition to taking timely initiatives to automate the areas involved with customer services. In the second half of the year 2006, Bangladesh Bank began setting up a fast, secure and modern payment system under Remittance and Payments Partnership (RPP) project with the financial aid of UK government's donor agency DFID. The activities of the project concluded in March 2011. Under the project of modernization of the payment and settlement system, Bangladesh Automated Clearing House (BACH) set off its journey in October 2011 which already brought huge benefits for the country's banking sector. Later, a state of the art Data



Governor Rahman at the 2nd anniversary celebration of Bangladesh Automated Clearing House

Center has been set up at Bangladesh Bank Head Office for its operation and a Disaster Recovery (DR) site established at Mirpur to ensure uninterrupted operation in case of any disaster. A Virtual Private Network (VPN) has been installed for the communication between the Data Center and the DR site with the commercial banks participating in the BACH. All the clearing zones of the country are now connected to Bangladesh Automated Clearing House, with the joining of Rangpur Clearing Zone to the central data center on 25 October 2011. This has made settlement of countrywide clearing cheques possible in T+1 day.

Bangladesh Bank has introduced digital certificate for the first time ever in the country for secure exchange of BACH data. Bangladesh Automated Clearing House observed its 2nd anniversary on 07 October 2012. This clearing house has become a blessing to the country's banking sector and is playing a vital role in materializing government's Digital Bangladesh vision. It turned the previous semi-automated clearing system into a world-class technology-based image exchange system. Bangladesh Automated Clearing House has two sections, one is Bangladesh Automated Cheque Processing System (BACPS) and the other is Bangladesh Electronic Funds Transfer Network (BEFTN).

7.1 Bangladesh Automated Cheque Processing System (BACPS)

Bangladesh Bank has taken initiatives to introduce cheque clearing based on image exchange system, as in the developed countries, instead of the old-fashioned clearing system. Bangladesh Automated Cheque Processing System commenced its operation on 07 October 2010 with the participation of all scheduled banks within Dhaka Clearing Zone. BACPS has set an enviable example of interbank cheque clearing system not only for this region but also for any other country in the world. In this system, the electronic clearing of bank cheques is administered using Cheque Imaging and Truncation System (CITS). For this, all clearing instruments e.g. cheque, draft, payment order, dividend, refund warrant, etc. have been standardized.

In the traditional clearing system, only the bank branches of district head quarters could participate in the Clearing House. If any cheque of a clearing zone were placed in a different clearing zone or if the cheque placement occurs between bank branches outside any clearing zone, the cheque would be sent to the concerned clearing zone by post as Outward Bills for Collection (OBC). The procedure of OBC is more costly

and time consuming. It used to take the customers 3 to 30 days to receive the proceed of the cheques. The newly introduced clearing system does not require bank officers to physically attend the Clearing House twice a day. This has significantly brought down the required time and clearing cost of the participating banks and expedited the pace of settlement of interbank transactions to a great extent. The previous 'Same Day Clearing' of high value cheques (worth 5 hundred thousand or above) settled between the bank branches at Dhaka's Motijheel and Dilkusha area has now been upgraded into 'High Value Session' expanding its sphere across the country and thus making payment to the customers on the same day.

The transaction of high value cheque has increased by five times compared to the previous years. This proves the clearing system's acceptability among people. Today, 95% of the country's clearing cheques are settled through this system.

7.2 Bangladesh Electronic Funds Transfer Network (BEFTN)

In addition to the development of cheque clearing system, the Electronic Funds Transfer Network has been introduced for the first time in the country for interbank transactions. Under this system, the credit transfer has been launched on 28 February 2011 followed by debit transaction on 15 September 2011. The main difference between cheque clearing and Electronic Funds Transfer is that the EFT does not require any instrument like cheque. Here the transactions take place



Governor Rahman addresses the inauguration of Bangladesh Electronic Funds Transfer Network

upon the instructions of the customers. The nature of instruction depends on the concerned bank's infrastructure and the wish of the customer. The customers, sitting home, can transfer funds from their accounts to someone else's account held with another bank, if the participating banks use Core Banking System (CBS) or those offering online or internet banking services. This method has made the interbank clearing system faster, cost-effective and risk-free. It is the most important among the recently taken initiatives for modernizing the framework of payment system. The network has facilitated ease in doing various credit transactions, e.g. salary-allowance payment, inland money transfer, sending foreign remittance, paying companies' dividends and IPO refund warrants, retirement allowances, bills payment, corporate payment, tax payment, license fee payment and customer-to-customer transactions in addition to different debit transactions, e.g. mortgage payment, membership fee, repaying loan installments, payment of insurance premium and utility bills, etc. As a result, the EFT has already earned much popularity.

At present, salary and allowance of the executives and staffs working at 17 ministries as well as the Prime Minister's Office are paid using Electronic Funds Transfer Network (EFTN). Gradually all public payments will be settled through this system. A World Bank statistics shows that the use of electronic payment systems can help boost GDP growth of a country by one percent.

7.3 Legal and Policy Framework of Payment Systems

Bangladesh Bank has lately taken some legal and policy initiatives to modernize the payment systems. Those are:

- Bangladesh Payment and Settlement Systems Regulations 2009 was issued on 27 April 2009, which is the first and foremost legal and regulatory base for modernization of the country's payment system.
- Bangladesh Automated Cheque Processing System (BACPS) Operating Rules and Procedures was promulgated on 11 January 2010 for the operation of automated cheque clearing.
- Bangladesh Electronic Funds Transfer Network (BEFTN) Operating Rules was issued on 11 August 2010.
- As a necessary legal framework for mobile technology-based payment system, Guidelines for Mobile Financial Services was issued on 22 September 2011, which is a milestone for the country's financial inclusion related activities.

- Payment Systems Act 2011 was promulgated in association with International Finance Corporation-Bangladesh Investment Climate Fund (IFC-BICF) and then sent to the Finance Ministry for taking further steps.

7.4 Other Initiatives

The achievements of Bangladesh Bank in recent years include the introduction of new notes and coins bearing the image of Bangabandhu and a good number of commemorative notes and coins along with the modernization of the payment system.

Introduction of Notes and Coins Bearing the Image of Bangabandhu

Bangladesh Bank has introduced newly designed and colored notes from 2 taka to 1000 taka bearing the image of Bangabandhu. Besides this, newly designed metallic coins of 1, 2 and 5 taka bearing the image of Bangabandhu have also been introduced.



Introduction of Commemorative Notes and Coins

Bangladesh was one of the organizers of ICC World Cup Cricket 2011. To make this auspicious moment memorable, Bangladesh Bank introduced a commemorative silver coin entitled 'ICC World Cup Cricket 2011'. Apart from that, Bangladesh Bank also introduced commemorative coins



Commemorative coin to mark the 90th anniversary of the poem 'Bidrohi' by Kazi Nazrul Islam



Commemorative coin released on the occasion of poet Rabindranath Tagore's 150th birth anniversary

on the occasion of poet Rabindranath Tagore's 150th birth anniversary and on the occasion of 90th anniversary of the poem 'Bidrohi' by Kazi Nazrul Islam. Besides these, on the occasion of 60th anniversary of the Language Movement, a commemorative note of Tk. 60 and another note of Tk. 40 were introduced on the occasion of 40th anniversary of independence.

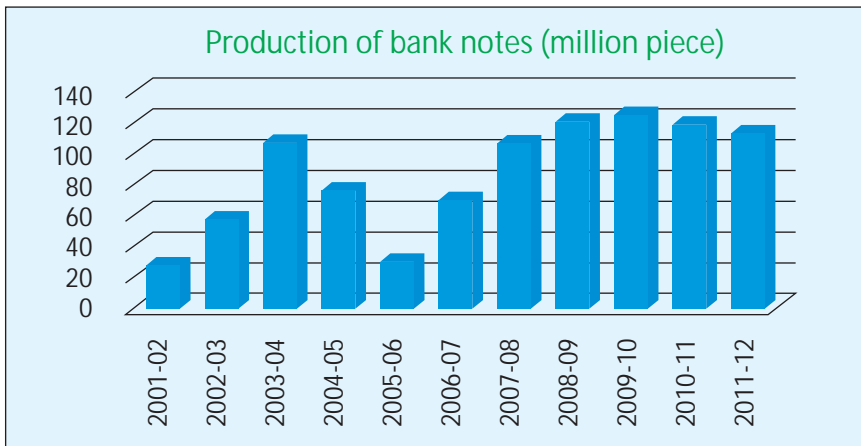
7.5 Twenty Five Years of the Security Printing Corporation Bangladesh Ltd.

The government of Bangladesh authorizes Bangladesh Bank to set up a security printing press as the central bank of the country. After the approval of National Economic Council (ECNEC), Bangladesh Bank financed the establishment of the Security Printing Press near Dhaka in Gazipur in 1988 to print bank note, currency note and other security materials in the country instead of importing them. It is now known as The Security Printing Corporation (Bangladesh) Ltd. or SPCBL.

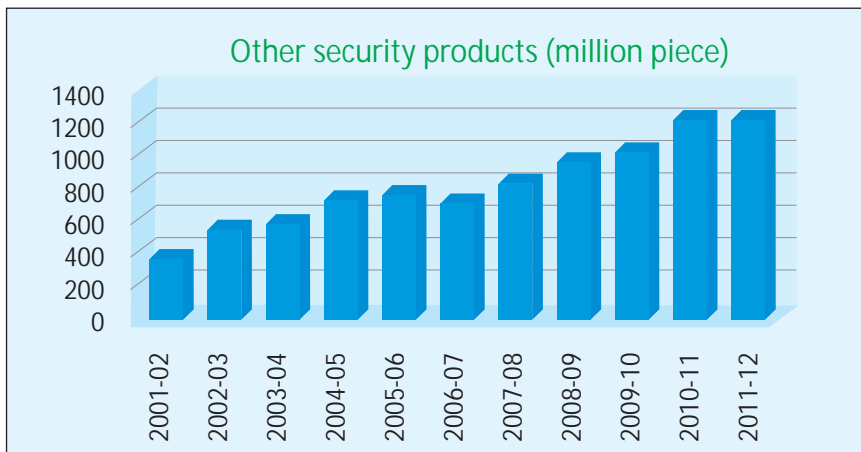
7.5.1 Products of SPCBL

Printing of one and ten taka notes started well before the formal inauguration in 1989. Later on, the security materials of many non-government institutions were added to the production line of this institution along with various divisions of the government especially internal resource division, national board of revenue. As a result, along with bank note and currency note, non-judicial stamp, judicial stamp, postal stamp, revenue stamp, envelope, tax label of bidi and cigarette, stamp, sleeve, stamp and tax label of soft drinks, mineral water and toilet soap, certificates of various education board and universities, transcript, cheque book, demand draft, pay order, sanchaypatra, cash coupon of BIWTA etc. are printed here. The demand of these security materials are increasing every year in line with gradual increase of the economy of the country.

The printed materials of this institution are directly or indirectly connected with the collection of national revenue. As a result, the institution is playing an important role in collecting the country's revenue. 114 million pieces of notes were printed in FY 2011-12 whereas 26 million pieces of notes were printed in FY 1988-89.



Simultaneous production of other security materials began and 9 million pieces were produced in FY 1988-89. The production of these security materials have been increasing gradually from the next FY. The amount of security materials printed was 1,217.5 million pieces in FY 2011-12.



7.5.2 Portrait of Bangabandhu on Bank Notes

To pay tribute to the father of the nation Bangabandhu Sheikh Mujibur Rahman, Bangladesh Bank took the initiative to incorporate his portrait in all bank notes. Under the initiative, SPCBL has already introduced newly designed bank notes ranging from 2 taka to 1000 taka featuring the image of Bangabandhu along with the other existing notes. To make the notes durable, 90% cotton thread and 10% synthetic fiber have been used in eight types of bank notes featuring the image of Bangabandhu

with a special coating, the paper is dust and water resistant. Changes have also been made in the water mark and security thread to prevent forgery of notes.



Prime Minister Sheikh Hasina unveils bank notes featuring the image of Bangabandhu Sheikh Mujibur Rahman

7.5.3 The Most Beautiful Note in the World

The notes and security materials produced by SPCBL have already been able to achieve fame within and outside the country. The two taka note bearing the image of Shahid Minar on one side and the image of Bangladesh's national bird Doyel (Magpie Robin) sitting on the branch of a tree and a flowing river beneath on the other side got the recognition as the most beautiful and the best note in the world in an international online survey. It is simply an unprecedented achievement to get a worldwide recognition by just printing a paper note. Apart from that, International Philatelic Bureau has given SPCBL a testimonial for printing stamp of international standard.



7.5.4 Introduction of Commemorative Bank Notes

A 40 taka note bearing the image of Bangabandhu Sheikh Mujibur Rahman and freedom fighters on the occasion of 40th anniversary of Bangladesh's victory and a 60 taka note on the occasion of 60th anniversary of the great language movement were printed. The printing of a 100 taka note and coin on the occasion of "100th Founding Anniversary of Bangladesh National Museum" is under process.



7.5.5 Celebration of 25 Years

The 25th anniversary of SPCBL has been celebrated this year (2013). On this occasion, the governor of Bangladesh Bank, Dr. Atiur Rahman revealed a 25 taka commemorative note. Mr. Md. Abul Kashem and Abu Hena Mohd. Raji Hasan, Deputy Governors of BB and the Managing Director of SPCBL Mr. Ziyauddin Ahmed were present in the occasion among others.

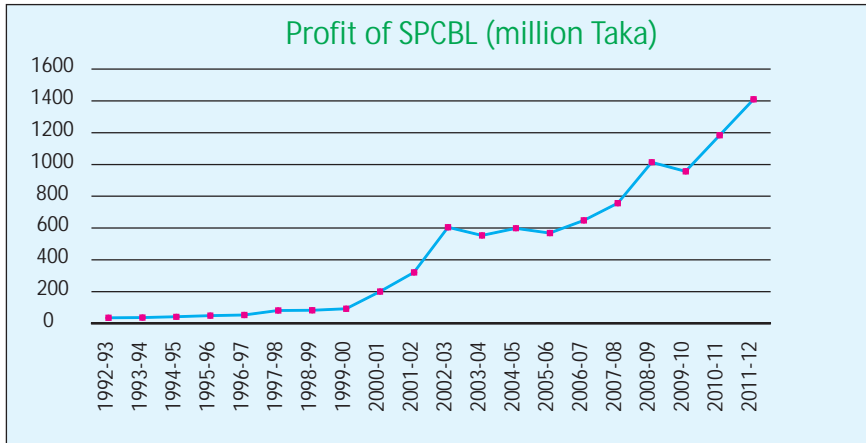


Governor Rahman unveils a 25 taka bank note on the occasion of 25th anniversary of SPCBL

7.5.6 Earning Profit

The profit earned by SPCBL in last four years is noteworthy. Profit before tax increased by 11.31 percent to Tk 1.41 billion in FY 2011-12 against

Tk. 1.25 billion in the previous fiscal. Besides earning profit, SPCBL managed to secure a place among the ten highest tax paying institutions of the country. The graph of profit earned in the previous years is shown below:



7.5.7 Modernization of SPCBL

Most of the machines of SPCBL are 25 years old. It has not been possible to invest for so long to buy necessary machines due to unavailability of sufficient capital. But, Tk. 2 billion has been invested from the corporation's own source to buy machines in last four years. With that money, necessary auxiliary machines like note and sheet counting machine, jogging machine, fork lift, note binding machine along with necessary super orlof intaglio machine, weight offset machine of 5 colors, label cutting machine, shrink wrapping machine, centre lade machine necessary for bank notes have been bought. As a result, production capacity has increased to a great extent. Due to addition of few software based modern machines in the production line, online remote central maintenance has become easier. Greater number of CCTV cameras and access control system has been introduced to strengthen the security system.

The current growth and investment of the corporation are not enough to meet the demands of the customers. More machines, manpower and infrastructure are required to increase the production in order to meet the growing demands. For this reason, steps have been taken recently to

increase the capital of this institution and a committee has also been formed. The committee is working to determine the number of necessary machines and the amount of capital needed; the governor of Bangladesh Bank is closely monitoring the progress of this work as the president of the board of directors. Proper, timely and realistic decisions and prudent direction by the present board of directors facilitated the increase of production of the institution in last four years as well as the welfare facilities have made the officers-staffs dutiful.

Mobile Banking

In this golden age of information technology the whole world has become a global village. To be part of with this global village it is vital to increase the use of technology in the country. Bangladesh Bank's target as a central bank is to ensure the use of advanced technology in the fast growing financial sector. Bangladesh Bank has already introduced online banking, internet



banking, automated clearing house, online CIB etc. in this regard. 'Mobile Banking Service' is the new addition to race of modernization in the banking system. In today's world, mobile based banking service is well accepted all over the world due to its ability to spread banking services in distant places of rural areas as a medium of cost-effective and quick transaction. Recently mobile banking has become the strongest tool of financial inclusion. Banks are reaching at customer's door with various services via mobile phone. Thus, a new prospect has been discovered to alleviate poverty through providing financial services to underserved poor people.

In Bangladesh most of the bank branches are located in the urban areas. Consequently, most of the rural areas have remained outside banking service. Moreover, people are deprived of banking services due to the long distance of bank branch from home, complexity of account opening, inability, hesitation and indifference of poor and illiterate people to open account, time and cost ineffective nature of traditional banking etc. Bangladesh Bank has initiated bank-led mobile banking through mobile phone operators instead of traditional branch banking to extend financial services to this large portion of un-served

population. Mobile banking is a branchless online banking system through which low cost financial services can be efficiently extended to the customers, especially unbanked population. Under this innovative banking arrangement and with the help of mobile phone technology, it has been possible to disburse inward foreign remittance and domestic fund, pay utility bills, salary, allowances and pensions, buy and sell goods and services, enquire balance, pay taxes, pay government subsidy and benefits of social safety net quickly and easily. Mobile set, pin number and cheque digit - these three elements are essential for a customer for mobile banking. Pin is the most important among these which ensures customer's identity. Cheque digit ensures the secrecy of mobile banking account. Deposit and withdrawal of money cannot be done without at least one of these.

A creative alliance has been forged between banks and mobile phone companies for bringing the huge number of unbanked population under financial service net and providing cost effective, secure financial services to the users of fast growing mobile phone network in the country. Bangladesh Bank has been encouraging this type of mobile banking service. This type of participative mobile banking service has created a win-win situation for all the parties concerned. Bangladesh Bank has already taken some policy initiatives to lay a dynamic and stronger base for mobile banking service. Bangladesh Bank has issued 'Guidelines for Mobile Financial Services' on 22 September 2011 intended to serve as a legal framework for mobile technology based payment system which is a milestone for financial inclusion initiative in the country.

Mobile banking has an enormous potential to facilitate financial inclusion in Bangladesh. These potentials are based on some key factors: 98.6 million mobile phone users, vast number of unbanked population, favorable and strong legal framework, spread of banks and microfinance institutions across the country, huge remittance inflow and growing labor class of industrial sector. To make proper use of these factors, Bangladesh Bank has been working for several years to popularize mobile banking service. Mobile banking has already been very popular for reaching banking services to the doorsteps of the people at low cost especially as a medium of speeding up distribution of local and foreign remittances. To ensure use of mobile technology in the banking sector, Bangladesh Bank, till June 2013, has given permission to 26 banks for operating mobile banking activities; among which 18 banks have already



Governor Rahman inaugurates mobile phone based remittance services led by two banks

started their operations. More than 6.6 million people have opened accounts so far for receiving mobile banking service which is rising every month. Banks are providing mobile technology based various financial services to their clients through one hundred thousand agents all over the country. The total amount of transaction only in June 2013 is Tk. 42.1 billion. The average daily volume is about Tk. 1.4 billion. Among all the mobile service providing banks, Brac Bank's subsidiary bKash Limited and Dutch-Bangla Bank Ltd. are at the peak in respect of transacted amount and number of opened account. It is mentionable that bKash of Brac Bank has about 4.9 million accounts followed by Dutch-Bangla Bank Ltd. with 1.4 million accounts at the end of June 2013.

Dutch-Bangla Bank Mobile Banking - cares for a Helpless Beggar

The number of registered mobile banking customers of Dutch-Bangla Bank Ltd. is around one million now. Abul Miah from Patharia union of Sunamganj district is one mobile banking customers. This physically challenged beggar has two sons and two daughters. He became vulnerable when his two sons started living with their in-laws after marriage. Abul Miah, being helpless, begs around villages and markets for living while his aged wife Zarina works as a maid at other's house. They are worried about their two girls eligible for marriage. They do not have much wealth to arrange their daughters' wedding. Abul Miah's dream is to arrange his daughters' wedding by saving 50-100 taka each day in a bank. But he could not find a bank nearby. At last when he found a bank at around 20 kilometers away, the banks denied opening a

bank account for this illiterate beggar. Thus his dream remained unfulfilled. One day while he was passing by a mobile banking campaign



Abul Miah, a customer of Dutch-Bangla Bank Ltd.

by Dutch-Bangla Bank Limited in a school field he came to know that by opening a mobile banking account at Monu Miah's shop at the adjacent market any amount of money can be transacted which also does not require any writing or signature. Thus Dutch-Bangla Bank's mobile banking fulfilled Abul Miah's dream. Now he is a respected account holder of Dutch-Bangla Bank's mobile banking.

bKash brings fortune of fish trader Manik Miah

bKash has expanded its mobile banking service to every district and upazilla of the country with more than sixty two thousand agents. Within about two years of operation, the number of bKash's customers has surpassed 4.9 million. The agents receive 85% of the income



Fish trader Manik Miah gets mobile banking service through bKash

generated from bKash transactions which has helped improving life standard of rural people. A single instance of Manik Miah among millions of bKash customers tells enough about the importance of financial inclusion through mobile banking. Manik Miah of Mymensingh is a wholesale fish trader. His fish used to get rotten frequently and he had to count losses due to his inability to do faster transaction. He is now out of fear as he can transact at any time in rural areas conveniently using bKash. Mobile banking service of bKash has helped Manik Miah continuously expanding and improving his business.

The number of transactions through mobile banking service is rising significantly every month. During various festive occasions mobile banking transactions increase drastically. The amount of transaction in last Ramadan (2012) was 20-30% higher than normal time; the effectiveness of mobile banking services has been proved during two Eid festivals and the puja. Mostly money is flowing towards rural areas from the urban areas through mobile banking. As a result, the rural economy



Governor Rahman inaugurates mobile banking services by depositing money to an authorized agent has started experiencing a positive impact. Besides, it has already been proved that mobile banking is a suitable medium to reach financial services to huge number of laborers and small businessmen of the country. Mobile phone companies of the country are collecting utility bills through their outlets. Currently utility bills of around five hundred thousand taka are being collected every month and the amount is increasing day by day. Mobile banking services are expanding rapidly as ordinary people have easy access to it.

Mobile phone is accelerating communication and solidarity among different communities and organizations of society. Simultaneously it has also initiated people oriented development through expediting financial inclusion process by means of reaching financial services to all the people of the society. The scope of mobile banking should be further extended to continue this flow of inclusive development. In this case, the state-owned banks having large number of branches in rural areas can play an effective role. On the one hand, mobile banking has created

opportunity for receiving modern banking services as well as fast and low cost transactions; on the other hand, it has made possible to reach banking services at any inaccessible place of the country. It is facilitating the habit of saving among the rural people. Thus, every mobile phone is becoming a small bank which in turn is affecting positively the supply of money in the rural economy. As a result the rural economy is boosting up and the realistic scope of achieving participative growth in the country is widening.

Green Banking and Environmental Risk Management

The environmental debacle resulting from adverse climate change effects has become an inescapable challenge for human life. Massive use of bio-fuel at present, deforestation and industrialization have caused sharp rise of greenhouse effects leading to gradual increase of temperature in the air. Every now and then the low lying areas of the world are facing natural calamities due to changed weather caused by rising global warming and rise in the sea level. This abrupt change of climate is casting negative impacts on the bio diversity, agriculture, forestry, high and fertile land, water and public health. To save earth from these environmental risks, the concept of Green Banking has been introduced as a supporting strategy to mitigate environmental hazards and now it is a globally accepted concept like general banking system.

9.1 Green Banking

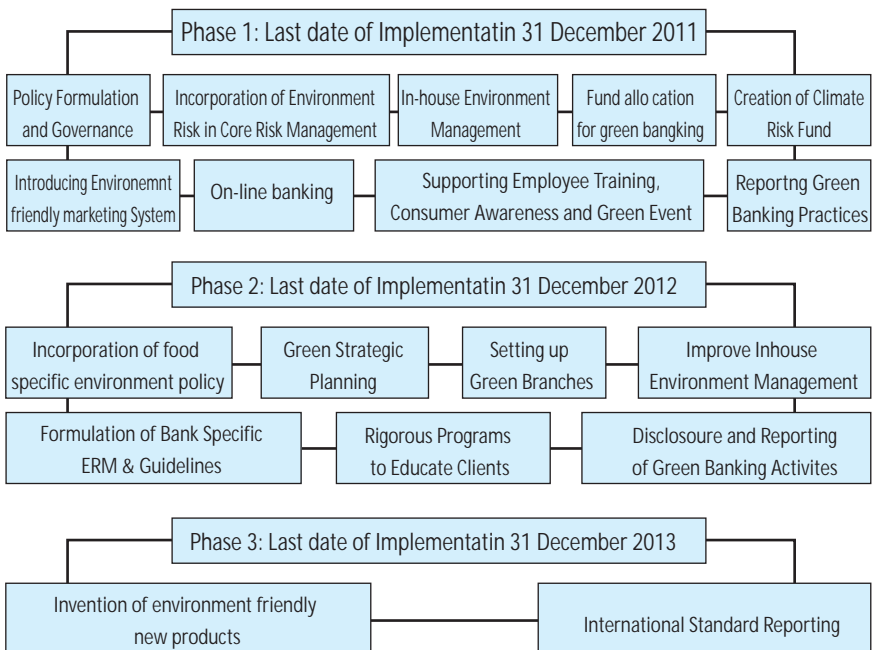
Green (environment friendly) Banking is a modern and creative initiative through which we can ensure a livable green earth for the next generation by protecting the earth from detrimental effects of global warming and pollution and by conserving environment and bio diversity. This is an ethical, socially responsible and sustainable banking system that ensures efficient use of water, light, air, energy and resources. The principal objective of green banking is to finance green projects which are environment friendly and discourage projects that damage the environment. Green banking helps sustain ecological balance. Banking sector can play a vital role to protect the environment through financing green projects. Green finance helps save resources as well as reduces the carbon emission. As a whole, green banking can facilitate transformation into environment friendly industry and economy.

Bangladesh is one of the most vulnerable countries to climate change effects. Issues that are causing continuous deterioration of the environment of Bangladesh are water and air pollution, filling of rivers,

canals and ponds, mismanagement in disposal of industrial, household and medical wastages, deforestation and degradation of bio-diversity. The financial sector of Bangladesh can play an important role to develop a strong and environment friendly banking system as well as to show its support to the international initiatives for protecting environmental damages. Green banking system not only influences the production, trade and financial activities of the economy, it can also protect the environment of the country from damages. Consequently, Bangladesh Bank has already taken number of initiatives to encourage banking sector to ensure environmental sustainability.

9.2 Green Banking Policy

To introduce green banking concept in line with global practices, Bangladesh Bank issued a detailed guidelines "Green Banking Policy and Strategy Framework" for the banks and non bank FIs on 27 February 2011. The guidelines outline the instructions for the environmental risk management while providing credits, bank's internal environment management, steps for protecting carbon emission, increasing the awareness of environment friendly marketing system and enhancement of electronic banking system. In the guidelines, banks are advised to implement environment friendly banking activities in three phases:



First Phase: At this stage, banks were required to focus on formulation and implementation of their own green banking policy within 31 December 2011. The banks were also required to incorporate Environment Risk in Core Risk Management; circulate green banking office directive for economical consumption of electricity, water, paper etc.; encourage financing in green projects; create climate risk fund for financing economic activities of the flood, cyclone and drought prone areas without charging additional risk premium; introduce eco-friendly financial products and services; change the production and packaging process and modify advertisement for environmental causes; arrange training program for developing employee awareness on environmental and social risk; arrange customer awareness programs; take measures to report on the initiatives/practices to the central bank and disclose in their websites. The first phase has already been implemented.

Second Phase: By 31 December 2012, banks were to formulate sector wise specific environmental policies such as agriculture, fisheries and livestock (poultry, dairy etc.), tannery, garments and textiles, renewable energy, pulp and paper, sugar and distilleries industry, construction and engineering, fertilizers, pesticides and drugs, rubber and plastic industry, brick manufacturing and ship breaking. Besides formulating policies, Banks were to introduce green strategic planning, set up green branches, develop internal environment management, formulate environmental risk management plan and policies, take necessary measures to raise awareness of the customers and to arrange to disclose green banking activities. Most of the agendas have already been implemented.

Third Phase: A framework of environment management should be in place in all banks before they step into the third phase of green banking, to be completed by 31 December 2013. In order to maintain overall ecosystem, Banks have to undertake various green banking programs and innovate green products and services. Banks will prepare report on their green activities following international standard format like Global Reporting Initiatives (GRI) and will submit to BB and keep available for auditing by external auditors.

In line with the Bangladesh Bank guidelines, scheduled banks are playing significant roles to protect environment from the adverse effects of climate change, rise of green house gas emission and air pollution by financing green projects, using banking resources efficiently and encouraging establishment of less carbon emission industries.

9.3 Environment Friendly CSR

Green banking involves addressing socially responsible and environment friendly business activities and promoting corporate and public awareness to follow these activities. For the compliance of banks and FIs, Bangladesh Bank has issued a Corporate Social Responsibility (CSR) Guidelines aiming to reduce inequality in the greater community of the country, alleviate poverty and deprivation and to minimize multitude of negative impacts generated by the improper business practices. This guideline considers, among others, ETP financing and L/Cs opening for setting up of ETP for the industries as CSR activities. Banks have



Solar panel on Bangladesh Bank rooftop

been advised to set up solar panels in the head offices and other outlets to meet up the growing electricity demand. BB's activity is not limited to giving instructions to banks and FIs; BB itself has already set up a 20 KW solar power system at the rooftop of the Head Office. Motion sensitive to solar panel and energy savings bulbs replaced the earlier versions. The solar Panel was inaugurated on 31 March 2010. As part of green banking, Bangladesh Bank's initiative to produce and use solar energy has been greatly appreciated. Number of initiatives is being taken like restructuring the old buildings along with the 30 storied building of Bangladesh Bank as green buildings, use of rain water, use of recycling water etc.

Proper use of solar energy for households and workplaces will reduce people's sufferings along with the pressure on the national grid. Setting up more solar panels will protect environment by reducing carbon emission and green house gases. Furthermore, Bangladesh Bank discourages financing projects that harm environment like real estate development by filling up rivers, canals, ponds etc.

9.4 Refinancing Scheme for Renewable Energy and Green Financing

As part of green banking initiative, Bangladesh Bank has introduced a re-financing scheme for renewable energy and environment-friendly financeable sectors with a revolving fund of Tk. 2 billion (USD1=BDT80 approx.) in order to facilitate banks and non bank FIs to provide credit for solar energy, bio-gas plants, effluent treatment plant (ETP), Hybrid Hoffman Kiln (HHK) etc. at a lower rate and easy terms.

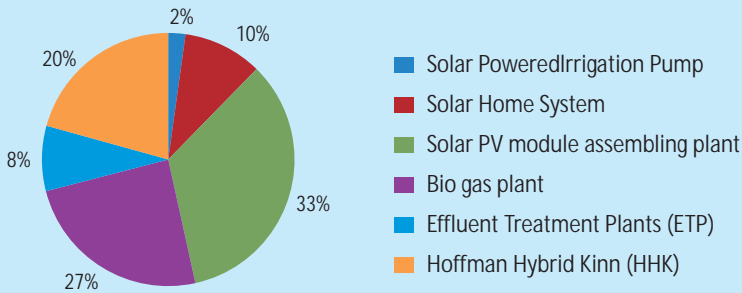
Extending the scope of this fund through GBCSRD circular no. 2 dated 01 July 2013, it is renamed as 'Refinancing Scheme for Renewable Energy and Green Financing'. The following sectors will be refinanced under this circular:

Sl. No.	Sector	Credit limit (Tk. in million)
1	Solar mini grid	15.00
2	Preparation of organic manure from slurry	0.20
3	Medium sized bio-gas plant	2.50
4	Replacement of conventional lime kiln into energy efficient kiln	3.50
5	Production of vermicompost fertilizer with purchase of 2 cows	0.29
6	Production of vermicompost fertilizer without purchase of cows	0.09
7	Hydro power plant (Pico, micro and mini) based on the production capacity	5.00
8	PET bottle reprocessing plant	50.00
9	Solar battery reprocessing plant	10.00
10	LED bulb production plant	50.00

Under this scheme, upto July 2013, sixteen banks and one NBFIs have been refinanced Tk. 1.12 billion for the following sub sectors:

Sub Sector	Re-Financing (in million taka)
Solar Powered Irrigation Pump	23.9
Solar Home System	110.0
Solar PV module assembling plant	371.5
Bio gas Plant	301.5
Effluent Treatment Plants (ETP)	90.4
Hoffman Hybrid Kiln (HHK)	227.2
Total	1124.5

Re-Finance Scheme : Subsector Distribution



In courtesy of these refinanced projects, about four thousand solar home systems, nine solar powered irrigation pumps, two solar assembling plants, more than one thousand bio gas plants having more than four thousand cubic meter bio digesters with about three and half thousands cows, fourteen thousand poultry chicks, eight effluent treatment plants (ETP) and four environment friendly Hybrid Hoffman Kiln (HHK) have been set up. 700 farmers of southern part of the



Governor Rahman visits bio-gas plant in Ramu, Cox's Bazar financed by EBL under the refinance program of Bangladesh Bank.

country are now using the solar powered irrigation pumps in more than 300 acres of land under the refinance schemes. On the other hand, more than one thousand families are enjoying facilities of combined bio gas plants. From these plants, 57,000 cubic meters bio gases, 750 ton bio fertilizers and 990,000 liters milk are collected each month. Per day

production capacity of the solar home systems are 160 kilo watts approximately. Per day recycling capacity of the effluent treatment plants (ETPs) are about 18 thousand cubic meters. Environment friendly Hybrid Hoffman Kiln (HHK) can produce about 8 million bricks per year.

Bangladesh Bank has introduced Asian Development Bank (ADB) funded US\$50 million refinance facility. Bangladesh Government and Bangladesh Bank have signed the participatory contract with ADB. Bangladesh Bank has already issued a circular for providing credits to set up environment friendly brick field. Disbursement from this fund will start soon.

9.5 Credit Policy for Green Agriculture

Global climate change has become a major challenge for the agricultural sector of Bangladesh. To deal with those challenges, Bangladesh Bank has provided couple of directives in the agriculture and rural credit policies to the commercial banks in the ongoing financial year (2012-2013). Banks have been advised to be cautious about the adverse impact of natural calamities and encourage the farmers to cultivate saline resistant crops in the salty areas, water resistant crops in the water locked and flood prone areas, drought resistant crops in the drought prone areas, using surface water instead of underground water for irrigation and also using organic fertilizer, insecticides by natural means instead of using chemical fertilizer and pesticides. A list of environment friendly crops invented by our agricultural scientists has also been incorporated in the agriculture and rural credit policy.

9.6 Paperless Banking System

One of the main concepts of green banking is to make internet and e-banking easily accessible and thereby promoting paperless banking i.e. using IT in the overall official activities instead of printed documents to save forest. To implement this system, Bangladesh Bank has taken different programs and has achieved success to a great extent. The enormous modernization projects are now at the final stage. Meanwhile, IT based initiatives such as online reporting, online banking, e-banking, e-commerce, online CIB, Automated Clearing House (ACH), mobile banking, National Payment Switch, e-tendering, e-recruitment etc. have been taken. Besides, banks are making detail policy regarding green banking activities with the approval of their Board of Directors.

The spontaneous participation of the banks to the awareness raising banking system deserves appreciation. It is expected that banks will take green banking activities further with their enhanced participation in the future.

9.7 Environmental Risk Management Guidelines

Bangladesh Bank has introduced the Environmental Risk Management (ERM) Guidelines with effect from 06 April 2011 in assistance with International Finance Corporation (IFC) for the commercial banks and NBFIs to raise their awareness about adverse climate change effects and advised them to make overall credit appraisal factoring environmental risk along with credit risk while extending credit facilities. This works in



Governor Rahman delivers speech at the Inaugural Ceremony of Environmental Risk Management Guideline.

parallel with the CSR framework. CSR stipulates financial sector's accountability to the society while ERM requires inclusion of environmental risk in the main framework.

9.8 Incentives for Green Banking

Banks are disclosing their green banking activities in the annual report and website. Green banking policy compliant banks are enjoying various incentives from the central bank. These incentives are awarded in different forms such as giving points to compliant banks on management capacity while deciding on its CAMELS (capital, asset, management, earning, liquidity and sensitivity) rating; naming top ten

banks in Bangladesh Bank's website that helps for branding and taking green banking activities into account while giving permission to open new branches. Banks are advised to ensure green banking policy and to set up solar panels in their upcoming SME and agri branches since 20 June 2011.

9.9 Green Banking & CSR Department

Bangladesh Bank has recently set up a new department 'Green Banking & CSR Department' to closely monitor formulation and implementation of policies and strategies of green banking and green financing and the activities under green refinance scheme (Fund size: Tk two billion). This department will also monitor CSR activities, financial inclusion and financial education activities along with green banking.

Today, the whole world is on the same wave length to protect the earth from the vulnerability of adverse climate change effects. Developed countries have been urged frequently to extend their supports for the developing world in this regard. In continuation with 'Rio+ 20 declaration titled "The future We Want" in the United Nations Conference on Climate Change held in Rio, Brazil and COP 18 of UNFCCC (United Nations Framework Convention on Climate Change) held in Copenhagen, Denmark and Kyoto Protocol, Bangladesh Bank and IFC jointly arranged a conference on Green Banking during 5-6 March 2013 in Dhaka with the participation of International Sustainable Banking Forum.

Bangladesh Bank Governor Dr Atiur Rahman has been honored with the title 'Green Governor' internationally for his outstanding contribution in green banking activities in the banking industry of Bangladesh. He was awarded this honor unanimously on 2 December 2012 in the UN Climate Change Conference, Doha, Qatar. He has been honored as a central bank governor by the governors of other central banks, economists, bankers and researchers present in the conference for his prudent role in massive expansion and development of green banking activities in Bangladesh.

Bangladesh Bank as a regulatory authority of the banking system is determined to execute the climate change agenda in Bangladesh. Accordingly, Bangladesh Bank has introduced policy and guidelines for

environment protection and sustainable development. At the same time, banks and NBFIs are advised and encouraged by the central bank to carry out green banking agenda by giving utmost importance to the efficient use of resources and safety of the earth. Proper implementation of these initiatives will reduce environmental risk effectively. It's truly heartening to observe that banks have already come forward to finance various green projects including solar energy, biogas, bio-fuel based power generation and ETP etc. with renewed commitments in credit extension in a socially and environmentally responsible way.

Foreign Remittance and FX reserve Management

Remittance is the life blood of Bangladesh economy. The expatriate remittance continues to play an instrumental role in upholding the economy of the country onto a solid base apart from reducing unemployment menace. Despite global recession, growing remittance of Bangladesh in the last three years has kept the country's economy protected. The remittance boosts up FX reserve and keeps our economy into a comfortable condition. It also influences directly poverty alleviation and socio economic development of Bangladesh.

10.1 Foreign Remittance

Overseas workers' remittances have been playing a positive role in poverty alleviation and employment generation apart from accelerating economic growth, social empowerment and technological enhancement. Besides ensuring economic well being of the beneficiaries, it encourages migrant's family members for investment and pursues education, better health service cum high standard of living. Foreign remittance helps improve balance of payments, facilitate import payments and plan and implement various development projects. Workers remittance is interest and cost free unlike the other types of foreign inflows.

10.1.1 Foreign Employment

About 8 million Bangladeshi expatriates are now working in 155 countries in the world. Every year, nearly six hundred thousand people are employed abroad. 90% of them are working in the Middle East countries. Bangladesh has signed an agreement with Malaysia recently on Government to Government (G-2-G) arrangement to send workers to Malaysia. Online registration throughout the country is now going on for sending 45 thousand workers primarily under this deal. Final selection will be made via lottery after completion of the registration process which has already been finished partially. Manpower export to

Malaysia will resume through this. Bangladeshi workers have already explored their new employment destinations in Poland, Mauritius, Sweden, Algeria, South Africa, Lebanon, Jordan and Congo. A picture of workers migrated abroad from 2009 to 2013 (June) has been mentioned below:

Year	2009	2010	2011	2012	2013(June)
Migrated workers	475278	390702	568062	580000	208340

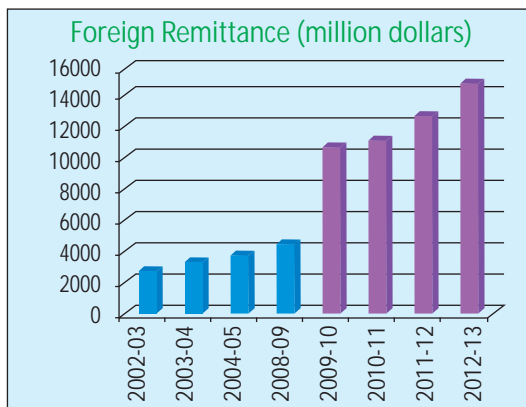
10.1.2 Achieving Growth in Remittance

As a result of various initiatives of Government and positive policy

Foreign Inward Remittance 2010-13 (million dollar)				
Month	FY10	FY 11	FY 12	FY 13
July	885	857	1016	1201
August	935	964	1102	1179
September	888	838	855	1179
October	901	924	1039	1454
November	1051	999	909	1102
December	874	969	1147	1287
January	952	971	1221	1327
February	828	987	1133	1163
March	956	1103	1109	1129
April	922	1002	1084	1194
May	903	998	1157	1087
June	892	1039	1071	1058
Total	10987	11651	12843	14461

actions of Bangladesh Bank, a significant growth has been achieved in the last few years in remittance inflow into Bangladesh. In the last four FYs (2010-13), total inward remittance was USD 49.94 billion (average \$12.49 billion). In FY 2009-10 it was USD 10.99 billion, during 2010-11 it stood at USD 11.65 billion, in FY2011-12 it was USD 12.84 billion and in FY2012-13

it stood at USD 14.46. The growth in remittance is 13.40, 6.03, 10.24 and 12.60 percent respectively. In October, 2012 the inward remittance



was USD 1.45 billion which is the maximum inflow per month so far. A range of initiatives and promotional activities by Bangladesh Bank and stable exchange rate of BDT have been contributing to this achievement in earning foreign remittance. Bangladesh is second to

India in South Asia and seventh in the world in receiving foreign remittance. One statistics shows that this remittance is about 11% of GDP, 7 times of foreign aid, 13 times of foreign investment and 53% of export earnings. Expat remittances play an important role to reduce trade deficit and keep our Current Account balance at a comfortable level.

10.1.3 Steps taken to increase remittance inflow

The present government has declared manpower export as a priority sector. In order to increase the flow of inward remittance, a number of strategies have been taken like exploring new labor markets, ensuring welfare of migrant workers, developing human resources by providing training as per demand of global labor market and facilitating sending inward remittance etc. Bangladesh Bank has already removed few bottlenecks for sending remittances through banking channels. The government and Bangladesh Bank have taken a number of initiatives to ensure smooth flow of inward remittances as well as to make the whole process dynamic. Banks are also taking various steps within the existing policy to channelize inward remittance easily and quickly (within 72 hours). Foreign missions of Bangladesh are also facilitating in this regard. Recently, investment fair and road shows have been arranged by the high officials of BB in America, Europe, South-East Asia and Middle East countries to encourage non-resident Bangladeshis for remitting money through banking channel, investing in different bonds and taking services from Bangladeshi exchange houses and drawing arrangements.

Drawing Arrangement and Exchange House Abroad

During the tenure of current government, approval process for establishing drawing arrangement between foreign exchange houses and banks in Bangladesh has been simplified to facilitate remittance inflow in the country. Among 936 drawing arrangements at present, 409 approvals have been given in the last four and half years.

To establish more control in collecting remittance, Bangladeshi banks are encouraged to open foreign branches/exchange houses as articulated in the policies formulated by BB. Under this policy, 23 banks have been permitted to set up 62 own exchange houses abroad specially in United Kingdom, USA, Australia, Singapore, Malaysia, United Arab

Emirates, Greece, Italy, Canada, Oman, Maldives and South Africa and out of that, 27 have already started working. These initiatives are showing positive results in receiving inward remittance.

Use of Different Networks

In order to expand domestic network in distributing workers' remittances as well as further easing and expediting remittance processes, Bangladesh Bank has approved using branch offices of Micro Finance Institutions (MFIs) and branches of Bangladesh Post Office. As per the latest information, 28 MFIs have got approval to distribute remittance. These institutions are playing important role to distribute remittance quickly through their branches in remote areas of the country.

Use of Information Technology

To expand the network for remittance distribution, some banks have been permitted to distribute remittance through the outlets of the mobile phone operators. SMS banking has also been launched to ensure its quick delivery. Bangladesh Electronic Funds Transfer Network (BEFTN) is working since 28 February 2011 to simplify the bank-to- bank clearing process which also helps make quick delivery of workers remittance.

Declaration of CIP

In order to boost up inflow of foreign currency i.e. sending more remittance through banking channel, the government started declaring the highest remitter as Commercially Important Person (CIP) since 2008 in recognition of the roles played by NRBs or expatriates wage earners. Preferences are given to them in enjoying various state facilities such as in establishing industrial ventures, inclusion in import policy formulation committees and participation in various national events, programs etc.

Establishment of Probashi Kalyan Bank

Workers often have to resort to borrowing money at an exorbitant rate, selling or mortgaging home or land to go abroad in search of jobs. Providing financial and institutional supports for manpower export, current government has established "Probashi Kalyan Bank" which

started formal operation since 20 April 2011. This bank is looking after overall welfare of the NRBs through various banking functionalities like migration financing, easy loan, enhancing local investment opportunities etc. About 1200 workers got loan from this bank since establishment. On the other hand, 25 returnee workers were helped through loan facility in employment.

Besides, current BSEC guidelines for IPOs provide a special quota (10 percent) for NRBs. Remitters, sending remittances through banking channel, are allowed to establish industry individually or jointly with the domestic entrepreneurs. Besides, they are also given opportunity to invest in the home country with all facilities given for foreign direct investment (FDI).

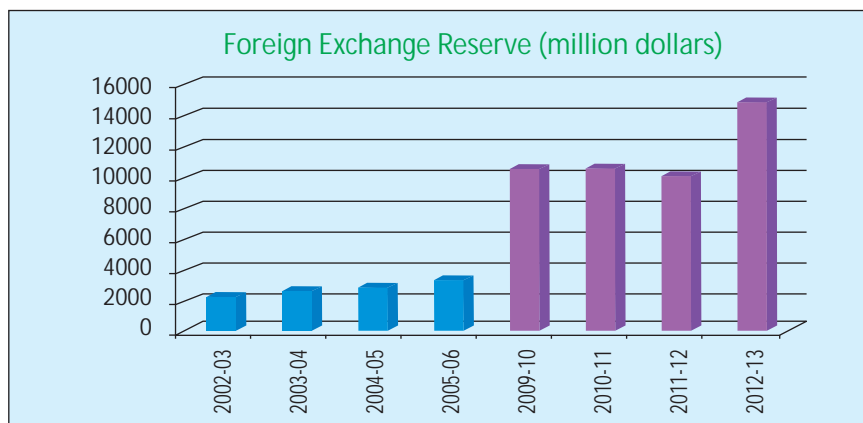
To reduce transfer fee and exchange rate margin by raising competitiveness among the remitting institutions, initiatives have been taken to amend the agreement signed among Bangladeshi commercial banks and the multinational money transfer companies (e.g., Western Union, Money Gram) on mutual basis for cancelling 'Pay Cash Exclusivity Clause' or any such terms of the contract which can create monopolistic market.

10.2 FX Reserve Management

FX reserve is an essential variable for the economic development of any country. Bangladesh Bank's foreign reserve comprise of holdings of gold and foreign currency and reserves and special drawing rights maintained with the IMF. FX reserve is a key driver for sound economic development and an important source of external financing. FX reserve management and strategies of Bangladesh Bank are guided by financial market behavior and various policy mechanisms. The important elements of FX reserve policies are monetary policy framework, exchange rate policy and management and foreign loan program. Bangladesh adopted floating exchange rate regime since 31 May 2003 to allow fixation of exchange rate by the interaction between demand and supply of foreign currencies. Under the regime, Bangladesh Bank brought significant changes in currency management, in line with international best practices and IMF guidelines, in the management of FX reserve and investments.

10.2.1 Achieving Growth in Reserve

Bangladesh has been able to maintain upward trend of FX reserve. Amid global recession, the FX reserve of Bangladesh was more than USD10 billion. The reserve stood at USD 15.32 billion at the end of FY 2012-2013 which was only USD 3.48 billion at the end of FY 2005-2006. The volume of total reserve rose almost four and half times in the recent four FYs than that of the last four FYs. Despite upward trend of import payments, average FX reserve in last four years stood at about USD 12 billion as a consequence of satisfactory growth of export receipts and inward remittance. During the end of FY 2009-2010, foreign reserve was



USD 10.75 billion which became 10.91, 10.36 and 15.32 billion US dollar in 2010-11, 2011-12 and 2012-13 respectively. FX reserve reached a

Foreign Exchange Reserve in FY 2010-13
(million dollar)

Months	FY 10	FY 11	FY 12	FY 13
July	7741	10749	10381	10570
August	9156	10992	10932	11435
September	9363	10834	9884	11252
October	9545	11160	10338	12339
November	10336	10700	9285	11754
December	10345	11174	9635	12751
January	10098	10382	9387	13076
February	10555	11159	10067	13848
March	10142	10731	9579	13971
April	10602	11316	10193	14829
May	10146	10431	9520	14531
June	10750	10912	10364	15315

record height crossing USD 10 billion on 10 November 2009 and has been hovering around USD 10 to 11 billion since then. On 12 October 2012 foreign reserve crossed USD 12 billion and stood at USD 12.75 billion at the year end. For the first time in the history of Bangladesh, FX reserve crossed USD 13 billion at the beginning of 2013 and it exceeded

USD 15 billion in the month of May. It reached USD 15.5 billion on 24 July 2013. Despite slowing export growth, the opportunity of higher growth of remittance contributed towards this FX reserve. About five months import demand can be met with the current level of FX reserve.



Governor Rahman with Finance Minister Abul Maal Abdul Muhit on the occasion of Foreign Reserve reaching 10 billion mark

10.2.2 Investment of FX reserve

With the aim of strengthening long term stability of FX reserve and creating diversified portfolio of foreign assets, Bangladesh Bank invested in high rated bonds and purchased 10 tons of gold from the IMF in September 2010. Bangladesh Bank has always been showing caution in placing fund in the foreign banks affected by global recession. Bangladesh Bank maintains FX reserve to settle foreign liabilities, to manage exchange rate regularly, to control fluctuations of exchange rate, to encourage international trade and economic growth and to make desired profit by prudential management of the same.

Wage earners' remittance and proper management of foreign currency play a vital role in achieving sustainability of a developing economy like Bangladesh. Bangladesh Bank continues to adopt and implement effective monetary policy by discouraging import of extravagant luxury items but increasing export and facilitating foreign remittance inflow. These effective and prudential policy initiatives will help increase and sustain FX reserve of Bangladesh in the long run.

Corporate Social Responsibility

The importance of corporate social responsibility (CSR) is increasing day by day in today's world. Commercial banks generate profit from the people of the society and in return, they have some social responsibilities. Therefore, to encourage and formalize CSR in the financial sector, Bangladesh Bank has taken initiatives by issuing an elaborate guideline "Mainstreaming Corporate Social Responsibility (CSR) in banks and FIs in Bangladesh" to the banks and FIs on 01 June 2008. The country can be benefitted if a nominal portion of the bank's profit is utilized for the welfare and development of the underserved and disadvantaged section of the society.

To establish a humanitarian banking system by vitalizing the lagging but potential sectors of the society and undertaking innovative programs for all spheres of life, the CSR activities of the banks have been brought under the umbrella of mainstream banking and integrated with the initiatives of reaching financial services to unbanked population of the country. Under the financial inclusion initiatives, recently the neglected but productive sectors such as farmers, small entrepreneurs, women entrepreneurs, labor class and other disadvantaged sections of the society have been prioritized. Recently a separate department namely 'Green Banking and CSR Department has been established in Bangladesh Bank to closely monitor the CSR activities of the banks and formulate year wise reports on it. This department also supervises green banking and financial inclusion and financial literacy activities of the banks along with CSR works.

The CSR programs run by the banks and NBFIs to complement government's agenda of poverty alleviation and employment generation programs in the sectors like education, health, nutrition, sports, disaster management, renewable energy, socio-economic development of the people of neglected and underserved areas, women empowerment, welfare of the freedom fighters' families etc. which has added a new dimension to the poverty alleviation and social safety net. Recent involvement of banks in CSR activities has made an easy access of

hardcore poor, landless peasants, small farmers, sharecroppers, small traders, poor women to financial services. We have already been reaping benefits of the impact of financial inclusion and growth.

Bangladesh Bank considers CSR activities of banks and NBFIs as a new dimension of efficiency. CSR practicing banks will enjoy some incentives in the form of preferential treatments like giving points to compliant banks on management component 'M' while deciding on its CAMELS (capital, asset, management, earning, liquidity and sensitivity) rating. Consequently, CSR practices by banks will improve their own standards in the market.

To give the financial sector a human face through developing a humanitarian banking system, some priority sectors have been identified for the CSR activities of banks and NBFIs. Like:

- a) individually or in participation with locally operated MFIs in self employment loans and SME credit programs;
- b) urgent creation of productive on-farm/off-farm employment for the regions of massive seasonal unemployment like that of "manga" stricken areas of the northern part of Bangladesh;
- c) financing renewable energy projects like biogas and solar panel for rural households and waste recycling plants, effluent treatment plants (ETP) in the urban slums;
- d) credit programs for the households in producing various crops including oilseeds, vegetables, fruits etc; direct or via media financing for the producers; composite farms for co-production of companion crops with main crops; fisheries/poultry with in low land water with "Aman" cultivation;
- e) financing mobile phone based/MFI supported programs for prompt delivery of remittances;
- f) financing programs to promote domestic tourism and markets in cultural products/events including employment generation activities for the people engaged in folk music, art and culture.

Later on, some more activities have been included in CSR activities. Like:

- relief and credit programs to the people affected in natural calamities like 'Sidr' and 'Aila';
- providing scholarship for the children of poor freedom fighters and needy students of rural and underserved areas;
- setting up a separate CSR desk in the banks, and
- allocate 30% of the total budget of CSR activities in education sector.



Governor Rahman at a Scholarship giving Program of Dutch-Bangla Bank Ltd.

Every year banks are increasing their budget CSR activities. Banks spent Tk. 410 million (USD1=BDT80 approx.) in 2008, Tk. 550 million in 2009 and Tk. 2.33 billion in 2010 including few big ticket expenditure like liberation war museum and rehabilitation of family members of martyrs soldiers of liberation war. About Tk. 2.19 billion has been spent in CSR activities during 2011.

Education sector occupies the major pie i.e. 28% of CSR expenditures by the banks. Expenditure in the health and treatment sector (non-profit hospital, clinic etc.) receives 24%. Banks spent Tk. 3.05 billion in the CSR activities during 2012 of which education sector receives 32%. Upto June 2013, banks have expended Tk. 1.7 billion in CSR activities. The CSR activities are drawing positive attention and cooperation from the board of directors of the banks.

Sector wise CSR expenditures

(Tk. in million)

CSR Activities	2009	2010	2011	2012
Education	95.0	400.8	612.5	983.7
Health and Treatment	245.0	689.1	520.4	435.4
Sports	1.2	265.2	359.1	183.9
Charity and Disaster Management	125.1	460.4	188.0	788.4
Culture and Literature	0.3	328.9	171.5	213.3
Environment	-	59.8	138.1	140.2
Others	86.9	125.6	198.7	301.8
Total	553.5	2329.8	2188.3	3046.7

In 2011, for the first time, four scheduled banks fixed up their budgets for CSR activities having discussed with the stakeholders and justifying the rationale behind allocating funds for CSR. Banks have set up a dedicated "CSR Desk" as "focal point" for maintaining direct communication with Bangladesh Bank. Almost all the banks have embraced CSR formally among which 20 banks (3 NCBs, 16 PCBs, 1 FCB) have formed separate trust or foundation to promote CSR activities. Other banks are spending in CSR from their main budget. About Tk. 3.05 billion was spent in 2012 for CSR activities which was only Tk. 0.41 billion in 2008 i.e. CSR expenditure increased 7 times in last four years. At the beginning, banks were not supposed to report to Bangladesh Bank on their CSR initiatives but now they have to make regular reporting. Since 2009, Bangladesh Bank is publishing report on overall CSR activities undertaken by the banks with the title of "Review of CSR Initiatives in Banks". Similar to the commercial banks, NBFIs are also advised to participate in CSR activities. Some initiatives of the government and Bangladesh Bank encourage and stimulate banks and NBFIs to participate in CSR initiatives. Like:

- Bangladesh Bank offered Tk. 2.0 billion refinance scheme under which entrepreneurs can take loans at 10% interest rate from PCBs for establishing solar energy and biogas plants, ETP etc.
- providing 6 per cent interest subsidy for banks against their concessional lending to the producers of pulse, spice, oil seed and maize;
- tax exemption for the banks on their actual CSR expenditure in certain sectors;
- all financial inclusion activities are treated as CSR activities simultaneously;
- like many other countries, gender discrimination is a barrier for the socio economic development and human rights in Bangladesh too. According to a survey on commercial banks, it has been observed that 13% newly recruited, 9% mid-level and 4% high level employees are women. Gender equality issues of the banks are brought into the CSR activities and few changes have been incorporated there recently. These are:
 - 20 banks extended maternity leave up to six months. Among them, 10 banks have introduced special policies for allowing maternity leave. In other banks, the duration of this leave is 3-4 months.

- One of those banks (Brac Bank Ltd.) has set up a day care centre for the dependants of the women employees.
- 17 banks have introduced policies to prevent work place abuse and harassments though no such event has been registered till 2011.
- 6 banks have arranged special awareness training about gender discrimination issue.
- 15 banks have arranged secure transportation for their women employees.

CSR activities have become an inseparable component in all business practices globally. Apart from few big ticket expenditures in overall financial inclusion and poverty alleviation, Banks have increased their participation in helping the underserved and disadvantaged section of the society including raising awareness of environmental issues. The depth of CSR activities by the banks has increased too.

Under CSR programs, banks have taken a number of initiatives for mentally and physically challenged people in every branch through their help desks. Like:

- separate counter for physically challenged people;
- supplying educational materials and providing scholarships towards physically challenged people;
- free surgery for crippled children and adolescents;
- temporary free eye camp;
- financial support for injured freedom fighters;
- free treatment, education and study material for visual and hearing impaired people;
- to ensure education and regular support for the autistic children-teenagers through Society for Welfare of Autistic Children (SWAC) and raising awareness programs for autistic children ;

In the recent past, banks have undertaken some innovative and mention worthy CSR activities in the country. Like- collection and distribution of Tk. 240 million for establishing "liberation war museum" with the cooperation of Association of Bankers Bangladesh (ABB); distributing Tk. 7,000 lump sum and Tk. 1,000 per month to the families of 61 martyred freedom fighters in Shohagpur of Sherpur district; distribution of solar bulbs and warm cloths to the widow village of martyred freedom fighters families; financing 572 oil seed and spice farmers in hilly areas of Bandarban; distribution of credit of Tk. 90 million among 300 families



Governor Rahman distributes solar lights and education materials among the students from northern part of Bangladesh

for "4 cows ideal project" in composite dairy and biogas projects in Gazipur, Ghatail, Manikganj, Rajendrapur, Rangpur and Barisal; operating solar powered ATM booth and special assistance for protecting Royal Bengal Tiger of Sundarban. Banks also financed re-excavating pond for drinking water for a locality of 2000 people in Bonolaudub village and dakop upazilla of Khulna near Sundarban. Besides, donation of two haemodialysis machines of dialysis and kidney transplantation to BIRDEM Hospital, expansion and modernization of kidney foundation, scholarship for poor and meritorious students up to graduation level, announce bank premises as smoke free zone and discourage financing in tobacco related businesses etc. are also mentionable CSR activities.

Certain news in daily newspaper often remains unnoticed or do not touch our imprisoned mind encircled by habits. Few of them drew our attention which made us accountable to do some social responsibilities. Some incidences like that are mentioned below:

Nur Jamal's hardship is over

Nur Jamal is a student of class III and lives with his parents and one sister in Boroghoria village of Lalmonirhat district. The family earns its daily bread by extracting oil from rolling mill. His father made him work at the mill 3-4 hours a day. When this heartrending news was published in the newspaper, a bank came forward to help them by giving two cows, Tk. 10,000 per month and shouldering responsibility for Nur Jamal

and his sister's education for next 10 years. Thus the chapter of Nur Jamal's distress ends.

Arrange Medical Scholarship for Two Daughters of Poor Hashim Uddin

A news captioned "Moonlight in the dilapidated home of Hashim Uddin" published in daily Jugantar on 27 November 2012 drew attention of Governor Dr. Atiur Rahman. Two daughters Sanmun Nahar (Sumi) and Ukabetun Nahar (Jerin) of vegetable seller Hashimuiddin of Gouripur, Mymensingh got admission in Dhaka Medical College and Cox's Bazar Medical College through very competitive exam. Governor instantly requested South East Bank Ltd. and Dutch Bangla Bank Ltd. to come forward in the aid of the family fighting with poverty especially to recognize the talents of Sumi and Jerin. These two Banks came forward



Governor Rahman along with Hashimuiddin, his wife Shirin Aktar, two daughters Sumi and Zerir at the Scholarship Giving Ceremony at Bangladesh Bank Board Room

with education scholarships for them accordingly under CSR activities. The Governor handed over the South East Bank and Dutch Bangla Bank education scholarship to Sumi and Jerin in a simple occasion on 20 December 2012 in the board room of Bangladesh Bank. Thus the study of Hashimuiddin's daughters has been facilitated.

Distributing Warm Cloths among Helpless Cold Stricken People

Bangladesh Bank always encourages banks to distribute warm cloths among the helpless cold stricken people. Banks distributed more than



Warm clothes distribution by Governor Rahman. Deputy Governor S.K. Sur Chowdhury and Nazneen Sultana were also present on the occasion.

10 million blankets in this winter (2012-2013) among them under their CSR program. Bangladesh Bank has recently opened a 'Green Banking and CSR Department' to expand CSR activities by the banks and to monitor those closely. This department will supervise green banking, financial inclusion and financial education activities of the banks apart from CSR activities.

Savar tragedy and Bangladesh Bank in humanitarian responsibilities

On 24 April 2013, due to the disastrous collapse of a multi-storeyed building named Rana Plaza at Savar near Dhaka, over thousand people, mostly apparel workers, lost their lives. It was one of the deadliest disasters in the country. This building collapse astounded not only Bangladesh but also the whole world. When the world was benumbed due to unscrupulous decision of some rapacious businessmen, the hearts of millions of people were bleeding in solidarity with the victims at the accident, hundreds of volunteers participated in the rescue work risking their own lives. They waited for no call or instruction from any source. Any kind of disaster can be confronted if all work together in this way. Out of the sense of humanitarian responsibility Bangladesh Bank also came forward to stand by the dead and the injured in their distress. At the instant instruction of Governor Dr. Atiur Rahman, a team of 14 members comprised of doctors and rescue workers went to Savar with medicine and ambulance to provide medical assistance to the victims. At the

same time, formal assistance and rehabilitation plans were taken. Bangladesh Bank arranged a discussion meeting with banks and FIs to help the families of deceased and injured victims and the volunteers. Governor urged the institutions of financial sector to be humanistic as a part of their corporate social responsibilities.

At the leadership of Bangladesh Bank, banks and FIs take the following decisions:

- Donate one day's salary of all banks and FIs staffers to Prime Minister's relief fund to provide immediate assistance to the families of the injured and deceased victims of Savar Tragedy;
- Donate money to Prime Minister's relief fund by banks and FIs within their capacity;
- Form a long term 'disaster assistance fund' in co-ordination of banks and FIs led by Bangladesh Bank;
- Arrange training and necessary machinery purchase for different organizations engaged in disaster management to increase their capacity;
- Rehabilitate volunteers participating in the rescue work providing them jobs or finances as required;
- Take joint program with institutions working on CSR.

After the accident, banks took blood donation program along with providing ambulance and medical service, medicine, foods. All banks and FIs set a unique example donating their officials' one day's salary under their CSR activities at the direction of Bangladesh Bank. Besides, the donation of about Tk. 1 billion to the Prime Minister's fund by 'BAB' and 'ABB', organizations of private banks, and 'BLFCA', organization of FIs, has helped financial sector be more humane. Within this fund, cheques of Tk. 800 million were handed over to the Prime Minister by the representatives of banks led by Governor on 14 May 2013.

Bangladesh bank is monitoring the assistance activities for the families of deceased and injured victims of Savar Tragedy. To identify the actual sufferers, a list of injured, deceased victims and volunteers has been collected from military officers/ Army engaged in rescue work. The families of the victims and the volunteers will be assisted consecutively. Thus Bangladesh Bank is making unique instances of a humanitarian central bank to the world doing various tasks out of conventional responsibilities.

Formation of disaster management and corporate social responsibility fund

Bangladesh Bank has raised a fund for increasing institutional capacity in disaster management and participating in priority based CSR activities. With BB, various commercial banks and FIs will participate in this program. This fund will be operated by a committee formed with representatives of scheduled banks and FIs and presided over by a Deputy Governor of BB. BB will contribute Tk. 50 million to this fund every year.

This fund will mainly be used for the following purposes:

- Permanent and long term planning and project preparation for the development of work-station environment, security and life standard of the workers of apparel industry;
- Provide assistance for institutional training to improve competence in different sectors (i.e. nursing, information technology, technical);
- Provide assistance for infrastructural and technological development to build up capacity of Bangladesh Fire Service and Civil Defense, hospitals and organizations providing medical services especially for incurable diseases (i.e. cancer, heart disease, paralysis, thalassemia, lameness/disablement etc.);
- Give priority to leadership & capacity building and skill development of youths in drawing up the activities of this fund and take assistance for this from specialized institutions;
- Provide immediate assistance to confront disasters.

Customers Inertest Protection Centre

Banking sector of Bangladesh is passing through a transformation phase for last few years. Controlling inflation and maintaining financial stability are the two major functions of Bangladesh Bank as the central bank. Apart from these core functions, Bangladesh Bank is ensuring adequate credit flow to the underserved sectors such as agriculture, small and medium enterprise (SME), renewable energy and other productive sectors to support the government's multiple initiatives of inclusive growth and poverty alleviation. On the other hand, to make the financial services cost effective, time saving and secure, electronic instead of manual system has been introduced such as automated clearing house, Bangladesh electronic funds transfer network, mobile banking, CIB online etc.

Banking network at present comprises of 8,427 branches of 56 scheduled banks operating in the country. These bank branches have about 55 million depositors and 10 million borrowers. Recently, accounts of more than 9.6 million farmers and 3.6 million beneficiaries of social safety net i.e. total more than 13.2 million accounts have been opened under an initiative of financial inclusion. Mobile banking services are expanding rapidly in joint collaboration of banks and mobile phone operators and plenty of accounts have been opened so far. More than 6.6 million people have already opened bank accounts to avail mobile banking services.

Suitable policy initiatives taken by Bangladesh Bank for quick delivery of financial services, adequate SME financing and financial inclusion of majority people of the country by building a digitized banking infrastructure played instrumentally to the increase of account opening tendency. As a result, area of banking services are expanding and public expectations from this sector are increasing.

12.1 "CIPC" from "Helpdesk"

Public confidence upon banking system is facing challenges globally due to global recession. Clients also desire more attention, cordial and

modern services from banks in existing circumstances. Under this backdrop, Bangladesh Bank has introduced "helpdesk" under Foreign Exchange Inspection and Vigilance Department from 16 March, 2011 in order to uphold customer confidence and satisfaction through quick solution of client complaints against below standard service quality and ensuring superior customer services. Later on, considering volume and nature of work, the name of "helpdesk" has been changed to "Customers Interest Protection Centre (CIPC)" since 15 September 2011. To redress the grievances of the customers and to attend their complaints countrywide, CIPC have been set up in nice branch offices of Bangladesh Bank too.

12.2 Objectives of CIPC

The issue of safeguarding interests of the depositors/customers of banks and FIs is very important for Bangladesh Bank being the Central Bank of Bangladesh. CIPC was established to protect the interests of the



Governor Rahman Inaugurates the hotline "16236" of CIPC from his handset at Bangladesh Bank on 19 January, 2012

customers and depositors, ensure hassle free banking services for customers, take necessary measures against any complaint against any bank/FI or its officers, boost public confidence and trust in banking system through superior service, brighten the image of the banks, improve banker-customer relationship and above all to ensure superior and efficient customer service. CIPC has been showing mark of success already in fulfilling its objectives.

12.3 Complaint Management and Hotline "16236"

Since the establishment of CIPC, complaints are being lodged every working day through phone, fax, email, sms, website and postal service from all over the country. Electronic complaint form is available in Bangladesh Bank website to facilitate quick submission of complaints. To make CIPC service available, a hotline number "16236" has been launched formally on 19

January, 2012 and a huge awareness programs were taken to familiarize this number. This hotline number has been advertised in the print and electronic media. All mobile phone customers have been informed via sms about the

effectiveness of this hotline services through Bangladesh Telecommunication Regulatory Company (BTRC). All banks and NBFIs have been advised to display stickers in every branch so that general customers can use this hotline number to place their complaints as and when required. This hotline number has already been proved to be effective to improve the overall banking services by this time. Moreover, different daily newspapers and Bangladesh Bank websites published the CIPC officials name, designation, phone, fax, email etc. In addition to resolve the complaints and the problems of clients, CIPC is also disseminating advises and opinions of banking and business activities to the people.

Sticker to popularize hotline 16236



12.4 Work Procedure

A specific work procedure has been designed to expedite and ease the CIPC activities. Customers of banks and NBFIs can place their complaints and problems of any harassment regarding banking services in the hotline number 16236 or via any other media to CIPC. Besides that, they can leave their complaints to any "Complaint Cell" in head office and local branch of the scheduled banks. These cells are monitored regularly by the CIPC of Bangladesh Bank.

After receiving specific complaints and objections from any nearby "Complaint Cell" of Bangladesh Bank, CIPC examines that issue by phone

or email and take necessary steps within three days. For the complicated cases, CIPC investigates and takes actions directly on the basis of collected information via the concerned bank's "Complaint Cell". If any complaint cannot be handled through branch or office, it has to be sent to CIPC, Bangladesh Bank. CIPC regularly monitors the status of the objections of the general customers.

Though it is not possible to solve all the problems, since its inception, CIPC has been able to convey a message throughout the country that there is a place in the central bank to place any complaint against inferior services provided by the banks and NBFIs and seek remedy for. CIPC has already achieved a good reputation by solving numerous banking related problems quickly. CIPC is working exclusively to sustain this image and to improve the banking services to international level.

12.5 Publishing Annual Report

CIPC has already shown spectacular success. The cell has published its first "Annual Report 2011-2012" on 19 July 2012 on the basis of its functions since inception i.e. from March 2011 and it is going to publish the second 'Annual Report 2012-13' very soon covering its activities upto June 2013. In the report, functions of CIPC are published statistically. Simultaneously, couple of instances of grassroots level's customers has also been mentioned.

Description of Settled Complaints at a Glance

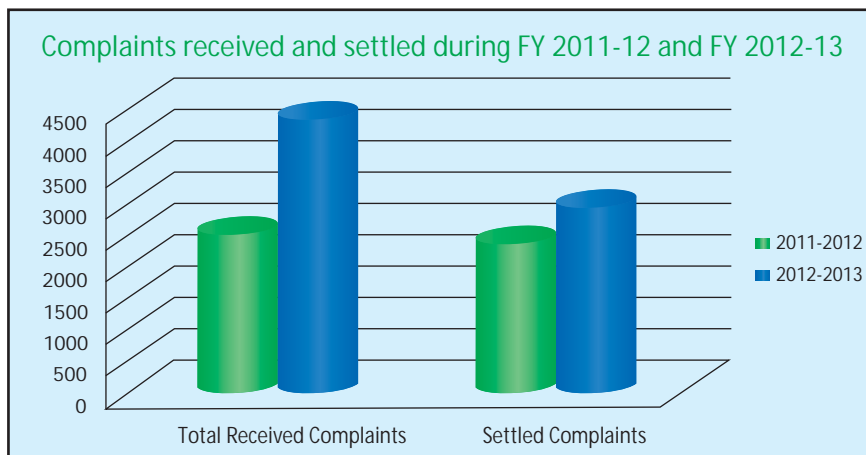
Date and Time	Total Number of Complaints	Settled Cases	Unsettled Cases	Settlement Rate
Upto 31 March, 2012	2151	1941	210	90%
Upto 30 June, 2013	7144	5597	1547	78%

This statistics show that within only two years, more than five and half thousands of complicated complaints have been settled and customers of remote bank branches have received necessary advices which also fulfilled their expectations to some extent.

Complaints received and settled during FY 2011-12 and FY 2012-13

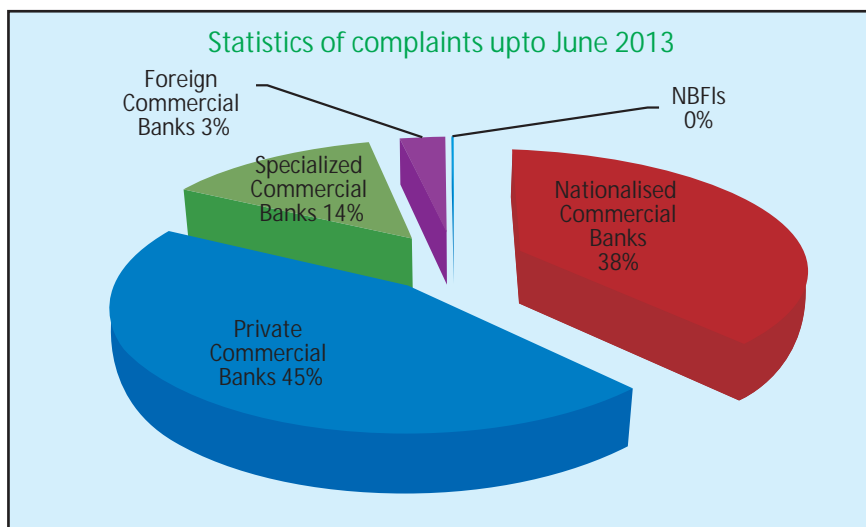
The number of complaints increased by 70% in FY 2012-13 in compared to the previous FY. On the other hand, in this FY, the number of settled cases increased by 571 though settlement rate decreased.

Topic	FY 2011-12	FY 2012-13
Total received Complaints	2526	4296
Settled Cases	2370	2941
Settlement Rate	93.82%	68.46%

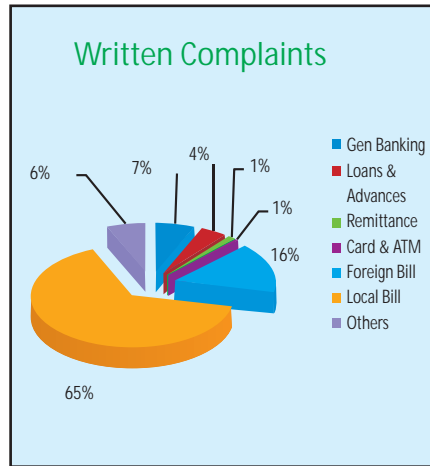
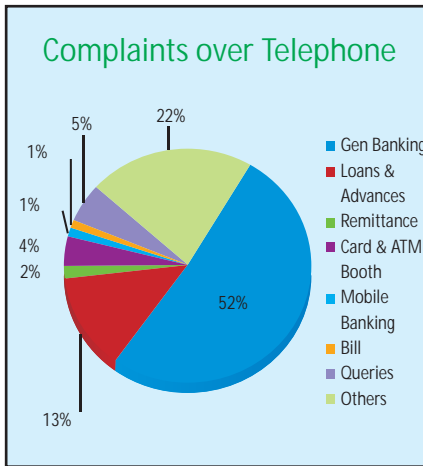


Bank-group wise Complaints

Analyzing information up to 30 June 2013 reveals that about 45% complaints were lodged against PCBs. Other than that, complaints against NCBs and Specialized banks were 38 and 14 percent respectively while complaints against Foreign banks and NBFIs were 3.02 percent



and 0.15 percent. Different types of complaints are received in CIPC. Like different types of account opening and operations, wrong calculation of interest, additional interest charge, violation of rules in determining interest rate, irregularity in collecting money against cheque, bill and draft, commission, determining fees, remittance, local or foreign bills, debit card, credit card, ATM operation, payment against guarantee or L/C, time lagging for sanctioning loans, delay for paying salary, pension, allowances etc. Complaints received till 30 June 2013 show that maximum complaints are about general banking, loans and advances and payment against bill of acceptance etc.



12.6 "FICSD" from "CIPC"

To continue the achievements, to expand its area and activity and to ensure quick and easy settlements of the customer complaints, CIPC has been re-structured as a new department in the name of "Financial Integrity and Customer Services Department (FICSD)" in the head office of Bangladesh Bank. This department is protecting the interests of the customers related to Banks and FIs (FI) within the legal and regulatory frameworks as well as redressing the grievances of the customers and attending the complaints received against Banks/FIs or its any official. This new department is working relentlessly to establish itself as a symbol of trust and reliance to the growing number of customers.

12.7 Other Initiatives to Improve Customer Services

In addition, Bangladesh Bank has taken various initiatives to protect customers' interest:

- Publishing financial statements in the daily newspapers has been made mandatory for the banks to disseminate adequate information to the depositors, investors and other stakeholders.
- Banks have been instructed to display notice regarding "Deposit Insurance Scheme" in every branch.
- Directed banks to inform and publish the schedule of interest rate, charge, commission, fees, exchange rate etc. in their websites.
- Schedule of interest rates of loans and Deposits of the banks are displayed in the website of BB to increase competitiveness among the banks.
- Best practice banking regulations and Frequently Asked Questions (FAQ) are displayed in BB website.
- Protecting people from fraudulent activities i.e. publishing awareness raising cautionary notice in the media about illegal banking and false temptation and advising people to be away from those.
- Publishing notice to raise awareness of using fake notes.
- Presently working to introduce 'Financial Literacy' program to help choose financial products by describing positive aspects and related risks of the available products.

CIPC/FICSD is working relentlessly to protect the interests of the bank customers who were once shaky about bank and its activities. It is not possible for BB only to uplift our banking services into the level of international standard; Banks and FIs must come forward. They have to keep in mind that being a service oriented organization the image of the banks depends entirely on the customer satisfaction. Despite having modern and technology enabled banking services in the developed countries, they are not immune from customer complaints. So, it is not unusual for our banks to receive complaints from the clients. Moreover, by settling their problems properly banks can draw the positive attention and thereby ensure customer satisfaction. From this point of view, central bank expects that banks will treat superior customer service as a business opportunity for them.

Bangladesh Bank Award

A decision was taken in the 200th meeting of the Board of Directors of Bangladesh Bank on 21 June 1999 to launch "Bangladesh Bank Award" for those who made significant contribution in the economy every year. With the aim of formulating policy in this regard, a committee was formed consisting of Dr. Wahiduddin Mahmud and former Deputy Governor Dr. Mohammad Sohrab Uddin. The committee formulated a policy.

13.1 Bangladesh Bank Award

As per this policy, research in any area of economics especially on Bangladesh economy undertaken by any Bangladeshi or Non-resident Bangladeshi will be eligible for this award. Generally, candidates are selected on the basis of the standard of certain research work published recently or several research works on an individual issue. But, in special cases, lifelong contribution in research work may be honored by this award. Research work can be in the form of an article, booklet and chapter of a book or monograph published in a recognized journal. Bangladesh Bank gives this award annually but holds it if there is no suitable candidate in a particular year. Financial worth of this award is primarily 2 hundred thousand taka with a gold medal (50 gram gold coin) and a crest. If a person is awarded once, he/she will not be eligible again. In case of posthumous award, successors of the award winners (wife, children or other legal successors) may receive the award.

13.2 First Bangladesh Bank Award

The journey of Bangladesh Bank Award began in 2000. Noted economist and founder chairman of Centre for Policy Dialogue (CPD) Professor Rehman Sobhan was selected as the first recipient of this award for his contributions in research and publication. Professor Sobhan was honored with two hundred thousand taka with a gold medal and a crest on 14 November 2001 at BIAM auditorium, Dhaka.

Professor Sobhan did his MA in Economics from Cambridge University in 1956. Before that, he spent his student life in famous Saint Paul School of Darjeeling (1942-50) & Aitchison College of Lahore (1951-52). Besides that, his student life was enriched in the world famous universities like Oxford University and Harvard University. After returning home he started his career in University of Dhaka as a lecturer in 1957 and retired from the same University in 1977 as a professor. Before his retirement, he was a member of Bangladesh Planning Commission. He was chairman, research director and Director General of Industry, Energy and Natural Resources & Infrastructure department respectively. He worked as Emeritus fellow in BIDS from 1972 to 1974. He also acted as a Director of Bangladesh Institute of Development Studies (BIDS). Professor Sobhan was a visiting fellow in Queen Elizabeth House from 1976-79 and acted as a member of Bangladesh Presidential Advisory Council, Ministry of Planning and Economic Relations Division. He was an economic advisor to the caretaker government in 1996 and was the Executive Chairman of CPD during 1994-99. He worked as an Executive Director in South Asia Centre for Policy Studies (2001-05). The number of books and monographs published by Professor Rehman Sobhan is 42. Other than that, about 200 writings have been published in different journals. He is an ardent dreamer of prosperous Bangladesh and his writings always center on development and prosperity. This economist has been putting ceaseless efforts aiming to reach a balanced and equitable economic benefit to each and every people of the country.

13.3 Second Bangladesh Bank Award

After a long break, Dr. Nurul Islam has been honored with the second "Bangladesh Bank Award-2009" in recognition of his research on Bangladesh economy and fundamental contribution. On the basis of recommendation from an independent and rigorous evaluation process, Board of Directors of Bangladesh Bank nominated him for the second Bangladesh Bank Award. Mr. Abul Mal Abdul Muhith, honorable finance minister and Governor Dr. Atiur Rahman handed over this award to Mr. Islam on 31 March, 2010 in a program held in the Ball Room of Hotel Pan Pacific Sonargaon. Dr. Nurul Islam is a renowned economist of the country having unique personality rich with achievements, wisdom and vision. His extraordinary planning competency has earned reputation for him as well as for the country in the international arena. He is performing successfully as a research fellow Emeritus in International Food Policy Research Institute (IFPRI), Washington, USA. He started his



Finance Minister and Governor Rahman hand over Bangladesh Bank Award to Dr. Nurul Islam

career as a lecturer in the Economics Department of University of Dhaka and worked as a director in Pakistan Institute of Development Economics and BIDS, Dhaka. He was the first Deputy Chairman of Bangladesh Planning Commission. After 1975, he worked as a fellow in St Antony's College of Oxford University and served as an Assistant Director General in the United Nations and Agricultural Organization. He works as a visiting academician in Yale and Cambridge University & London and Netherlands School of Economics and many other world famous universities on invitation. His contribution in different areas of economics is acknowledged nationally and globally. Number of his books published is about 25. More than hundreds of his significant publications in local and foreign journals have enriched the research area of economics. He thought about "dual economy" during Pakistan period. Dr. Nurul Islam along with other economists from then east Pakistan presented the concept of "dual economy" for the first time during August 1956 in an economic summit. The logic of the theory said two parts of the country being thousand miles apart cannot be run with a uniform economic policy. Despite occupying an important and senior post of Pakistan, the depth of his love and bravery shown for the country in 1971 by joining liberation war of Bangladesh is well known to all.

After the independence, he engaged himself to build the nation. His fundamental works and thoughtful opinions in different economic areas especially in agriculture, food security, poverty alleviation, international trade and economic development stimulated national development as well as earned him appreciation from across the globe.

13.4 Third Bangladesh Bank Award

Noted economist Professor Dr. Mosharraf Hossain was selected for the 'Bangladesh Bank Award 2011' by the selection committee formed by the Board of Directors of BB. His extraordinary contribution to liberation war, study on theoretical research and applied economics in the development of local and global economy throughout his career spanning six decades has been considered in nominating him for the award. Professor Musharraf Hossain obtained his MA from the University of Dhaka and then from Manchester University and received



Finance Minister and Governor Rahman hand over Bangladesh Bank Award-2011 to Professor Dr. Musharraf Hossain

PhD in economics from the University of London. He was a lecturer in the University of Dhaka during 1951-52 and 1974-1991. He was an economist in the Planning Board of East Pakistan in 1957-58. He was a teacher in the University of Rajshahi during 1958-68. He was a Nuffield and Liver ham fellow during 1968-70 in York University, UK. He was a member of the planning cell of Mujibnagar Government during liberation war and was a member of Planning Commission of the Bangladesh Government during 1972-74. He was involved with various research works in different UN organizations as well as foreign donor agencies. Prof Hossain had been undertaking research on reduction of hunger and poverty in the remote rural areas, relaxation of loan conditionality, structural changes in export, increasing remittance inflow and its impact, impact of globalization, socio-economic history of Bangladesh, civil society and good governance throughout his life. His

wrote many articles featuring on economic structure of Bangladesh, population, village development tax, government expenditure, foreign aid, food sufficiency and poverty alleviation, identification of bottlenecks in agriculture development, eradication of hunger and malnutrition etc. which were published in many national and international journals. It is a matter of great regret that Prof. Hossain passed away on 22 February 2013.

13.5 Reception accorded to Former Governor A.K.N Ahmed

Bangladesh Bank Training Academy (BETA), Bangladesh Institute of Bank Management (BIBM) and Institute of Bankers, Bangladesh (IBB) jointly hosted a reception in honor of former central bank governor A.K.N. Ahmed on 11 January, 2011. Mr. Ahmed is a living legend in local and international banking arena. Starting from 1950s, he was the pioneer among renowned bankers who played a crucial role for the development of post independence war ravaged financial sector in Bangladesh. Second governor of Bangladesh Bank Mr. Ahmed steered several commercial banks and the central bank with prudent leadership before and after independence. He pursued a multidimensional career.



Reception Ceremony of A.K.N. Ahmed at BETA

In the early fifties, he joined World Bank, in the mid seventies he joined IMF as advisor and later also served as Bangladesh ambassador to Japan and South Korea. At that time, he was awarded a gold medal of "Alexander the Great" by a Japanese university for his deep knowledge

in Japanese culture and society. He is a senior fellow of BIDS, fellow of CPD and Pakistan & Bangladesh Institute of Bankers and Emeritus fellow of BIBM. He played a pioneering role in establishing various institutions for the development of financial sector. He contributed significantly to set up BIBM, the architect of building skilled human resources for the banking sector, Eastern Mercantile Bank (former first local bank of East Pakistan), Warehousing Corporation, and Equity Participation Fund, IFIC Bank, the first FI in private sector, Basic Bank. He took initiative to set up first Bangladesh Security Printing Press during his Governorship. We are now enjoying the benefits of those financial institutions established at his initiatives.

Mr. Ahmed did not confine him in taking creative initiatives in banking and financial sectors only; he also spread the light of knowledge at home and abroad. His articles have been published in different journals in India, Bangladesh and Pakistan among which some of them took place in IMF's Central Banking bibliography. Still now he is very much active with his creative ideas and endeavors and continues to inspire the young generation to their creative ideas and initiatives.

Recognizing the contributions throughout his long six decades career, BBTA, BIBM and IBB took the initiative to bring Mr. A.K.N Ahmed all the way from USA to Dhaka to honor him with a warm reception. The objective of giving him the reception was to strengthen self confidence



Name plate unveiling Ceremony by A.K.N Ahmed at the Auditorium of BBTA

and trust in individual and collective capacity as well as to make his contributions more familiar with the new generation of bankers. Giving reception to such a visionary and innovative banker and a noted economist has stimulated the progress and confidence in national and social life.

To make his contributions ever memorable, the international standard spacious auditorium of BBTA has been named after as "A.K.N. Ahmed Auditorium" on 11 January, 2011.

13.6 Reception of former Governor Lutfur Rahman Sarker

Association of Bankers Bangladesh Ltd. (ABB) and Institute of Bankers, Bangladesh (IBB) jointly gave a reception to the former Bangladesh Bank Governor Mr. Lutfur Rahman Sarker on 8 December 2012. During the ceremony Finance Minister Mr. Abul Maal Abdul Muhith and Governor Dr. Atiur Rahman were the chief guest and special guest respectively.



Finance Minister accords reception to former Governor Lutfur Rahman Sarker on 8th December, 2012

This former Governor breathed his last at Monday morning on 24 June 2013 at the age of 80 while fighting against illness in a hospital in the capital. His first Namaz-e-zanaza was held in the bank premise on the same day. All levels officers and staffs of Bangladesh Bank, different banks and FIs participated at the zanaza.

Lutfur Rahman Sarkar was born at Fulcoat, a village in Bogra on 1 February 1934. He obtained his M.A in Political Science in 1955. He started his career in 1956 as an analyst of monitoring department in Pakistan Broadcasting House in Karachi. He stood first in the competitive examination among more than hundred participants. He was only one year in this job and his banking career started with Habib Bank in 1957 in Karachi. He was a progressive banker. He always worked for the timely reform in banking service and thus tried to introduce adroit and modern banking. His initiatives like initiation of Bishsho-biddalaya Karmasangthan Prokolpo (BIKALPA), formation of Prime Bank Ltd., placement of distinguished and extraordinary calibre in banking

profession is testimony to Mr. Sarker's versatile banking talent. He is the initiator of merchant banking, various FIs including money changers also. He expanded Bangladesh Bank's treasury department's function throughout the country not confining in the head office in Dhaka. He also took many steps for agricultural credit disbursement. At the time of his governorship, he first set the courageous instance of disclosing the list of loan defaulters.



Lutfor Rahman Sarker

He served Agrani Bank and Sonali Bank as Managing Director and Mercantile Bank as Chief Advisor. He guided the banking sector as a veteran banker with innovative ideas. As a governor he was highly praised for some important and fundamental decisions like accelerating banking sector reform program, making arrangement for promotion of deserving officials etc.

13.7 A Commemorative meeting for former Deputy Governor A. K. Gangopadhaya

A former Deputy Governor of Bangladesh Bank, reticent, candid, honest and diligent Ashit Kumar Gangopadhaya (A. K. Gangopadhaya) passed away on 14 January 2013 in Texas, USA because of senility. A commemorative meeting was organized on 30 January 2013 in Bangladesh Bank and another one on 23 March 2013 at joint arrangement of BIBM, ABB and IBB in the A. K. N Ahmed auditorium of Bangladesh Bank Training Academy. At both of the programs, Governor Dr. Atiur Rahman was the chief guest. Mr. Gangopadhaya joined State Bank of Pakistan in 1950 as Officer Class-I. He was an outstanding scholar in education life as well as banking career playing significant role in central bank with competence and proficiency. At the beginning of his career, he participated in a three-month international training course on

monetary policy in Washington, organized by IMF and became first (topped the trainees). As a consequence, he was selected as a resource person for the same course. Not only that, his success made him work as one of the members of the negotiating team of Bangladesh to IMF to communicate for money, debt and banking policy etc. He earned Muzaffar Memorial Award in 1969 as



Ashit Kumar Gangopadhaya

recognition of his success. He also acted as Secretary of Pakistan government's Credit Inquiry Commission to increase credit flow in the weak sectors of economy. According to the recommendation of this commission, Eastern Mercantile Bank (presently Pubali Bank), the first bank in East Pakistan, was established.



Governor Rahman Speaks at a memorial meeting on A. k. Gangopadhaya

Following liberation, he was appointed in Bangladesh Bank as Executive Director in 1973 and as Deputy Governor in 1976. The banking sector will all the time remember Mr. Gangopadhaya and his fellow centralbankers for their extraordinary roles in reformation of the

disarranged banking sector of Bangladesh, creation of Foreign Exchange Reserve, introduction of new currency and rearrangement of financial sector, giving a standard shape to the destroyed industrial and business organizations and restoring the economy of post-liberation Bangladesh.

He was deputed at Liberian central bank as a monitoring and research advisor of IMF in 1981. He is an exemplary and imitable personality to the new generation bankers for his impeccable professionalism. Bangladesh Institute of Bank Management (BIBM) instituted a Chair Professor post (A. K. Gangopadhaya Chair) for his extra-ordinary contributions in banking sector of Bangladesh. Renowned banker of Bangladesh Mr. S. A. Chowdhury has already joined the post.

Road Show, Remittance Fair abroad and Financial Literacy Program for the Development of Financial Sector

Bangladesh is a developing country having potentials. Positive roles played by the government in the recent past and Bangladesh Bank's leading roles created a sense of optimism about the progress of the country's economy. Various measures taken by the government, incentives given by BB in agricultural and SME credit, anti money laundering (AML) activities and commercial banks' complementary roles have reduced the so-called "hundi" business of the country considerably. An independent report of the World Bank also supports this claim. Massive awareness programs on AML all over the country, providing adequate trainings for the officials of the reporting agencies to comply with the instructions of Money Laundering Prevention Act and improved services of the commercial banks to reach inward remittances to the beneficiaries are believed to be the reasons for these positive changes. It is mentionable that due to the increase of inward remittances through banking channel the FX reserve of Bangladesh Bank surpassed USD10 billion on 10 November 2009. There is an increasing trend of foreign remittance at present too. The upward trend of inward foreign remittance has opened up windows of new possibilities for Bangladesh economy. Bangladesh Bank arranged an exceptional road show to stimulate country's basic economic growth through public awareness about banking services, to reach the banking services at the doorstep, and to ensure security to wage earners remittances prevent money laundering.

Road Show program is a part of financial literacy. Financial literacy helps people taking decisions by raising awareness about the availability of financial products, price, policy and limitations. Disseminating financial literacy to the mass people is a very common practice in the strong economies like India, Singapore, Malaysia, Canada and USA. But it was for the first time in Bangladesh. Different campaigns for awareness on SME financing regarding mitigation of information bottlenecks, encouraging potential entrepreneurs; disseminate information about



Governor Rahman inaugurates Road Show

maintain discipline in the financial sector; stopping money transfer through "Hundi" and send foreign remittance through proper banking channel were the key issues of this road show.

A considerable portion of Bangladeshi farmers is the landless and the marginal farmers. This group of people does not have the proper information about the initiatives of Bangladesh Bank regarding trouble-free agri credits and credit schemes of commercial banks and even they have limited access to get the banking services. So, it is essential to inform them the right information about agri credit schemes and related terms and conditions of the schemes.

Remittance in proper banking channel discourages money laundering and keeps the economy in a comfortable position in terms of foreign trade and sufficient FX reserve. Different countries of the world have taken various steps to increase social awareness about money laundering prevention. It includes arranging local meeting and gathering for the rural elites, open competitions for general people, publishing booklets etc. South Asian country Sri Lanka has already incorporated Money Laundering Prevention related topics in their university curriculum under Economics and International Trade. A course on Money Laundering Prevention has already been incorporated in Banking Diploma Examinations conducted by Institute of Bankers Bangladesh (IBB) on request of Bangladesh Bank.

Considering the above mentioned issues, Bangladesh Bank arranged a long road show consisting of meetings, bank fair and awareness programs on prevention of money laundering and "Hundi" in different locations from Teknaf to Tetulia with the participation of the root level entrepreneurs, farmers, representatives of civil societies, students/teachers, related governmental/autonomous body's employees and the stakeholders.

various agri loan products and availability of cheap agri credit for the poor, landless and marginal farmers; creating financial awareness among mass population about anti money laundering activities and preventing terrorist financing to

14.1 Objectives of Road Show

- Encouraging potential SME entrepreneurs and reducing information bottlenecks through various awareness programs on SME financing;
- Providing information related to agri loan products and agri credit terms to poor, landless and marginal farmers including major portion of the farmers society;
- Creating awareness in the mass population regarding prevention of terrorist financing and money laundering to maintain discipline in financial sector;
- Running various campaigns to discourage hundi activities and highlight the means and advantages of sending remittances through proper banking channel.

The road show was very successful and its huge impact on Bangladesh economy has already been visible. People are aware and far more bank-oriented than earlier.

14.2 Road Show from Teknaf to Tetulia

The Road Show programs ended in eight days which started from Teknaf and ended at Tetulia. Bangladesh Bank Governor Dr. Atiur Rahman inaugurated the road show at Teknaf Degree College, Cox's Bazar on 26 March 2010 at noon and Deputy Governor Mr. Ziaul Hasan Siddiqui concluded the show on 2 April 2010 at Tetulia, Panchagarh. Governor Dr. Atiur Rahman joined the first meeting in Cox's Bazar as Chief Guest and Deputy Governor Mr. Ziaul Hasan Siddiqui attended as Chief Guest in Tetulia and cooperated to conduct the road show smoothly.



The caravan of the Road Show from Teknaf to Tetulia

Besides, General Managers and Executive Directors of related departments of Bangladesh Bank participated in different programs from Teknaf to Tetulia. Nominated lead banks joined the programs fully or sometimes partially. Lead banks organized meetings with the participation of the root level entrepreneurs, farmers, representatives of civil societies, students/teachers, related governmental/autonomous

body's employees and other stakeholders. Lead banks organized huge campaigns in the selected districts by showing posters, banners, and distributing leaflets about their products and services.

In addition to the lead banks, all local commercial banks and FIs joined the road show from the beginning to the end or in the mid of the route and expedited the program. They also campaigned by poster, banners, and leaflets about their products and services to raise awareness among the people. Two officials from Anti Money Laundering Department and SME and Special Programs Department of Bangladesh Bank participated in every program as resource persons. Bangladesh Bank advertised in the widely circulated Bengali daily newspapers and published press releases to notify the people. Lead banks were responsible for media coverage. Participating banks campaigned through advertisements in print and electronic media and drew huge attention of the people. All the bank branches across both sides of the streets from Teknaf to Tetulia displayed banners, posters and thus increased people's interest and participation.

These programs were arranged to raise awareness among people regarding prevention of money laundering and "Hundi" and sending remittance through banking channel and to inform them on agri and SME credit. As a result, common idea about banking services have been changed among general people even in the remote areas. Governor Dr. Atiur Rahman inaugurated the road show on 26 December 2010 and gave his valuable speech. From Teknaf to Tetulia, 13 commercial banks were nominated as lead banks in 13 important places. Those were:

Serial	Location	Lead Bank
1	Teknaf	AB Bank Ltd.
2	Cox's Bazar	NCC Bank Ltd.
3	Chittagong	National Bank Ltd.
4	Feni	Dhaka Bank Ltd.
5	Comilla	Prime Bank Ltd.
6	Tangail	Bangladesh Krishi Bank
7	Sirajganj	One Bank Ltd.
8	Bogra	Standard Chartered Bank
9	Rangpur	Sonali Bank Ltd.
10	Dinajpur	Jamuna Bank Ltd.
11	Thakurgaon	Uttara Bank Ltd.
12	Panchagarh	Islami Bank Bangladesh Ltd.
13	Tetulia	Brac Bank Ltd.



DG Ziaul Hasan Siddiqui addresses the concluding ceremony of the Road Show in Tetulia



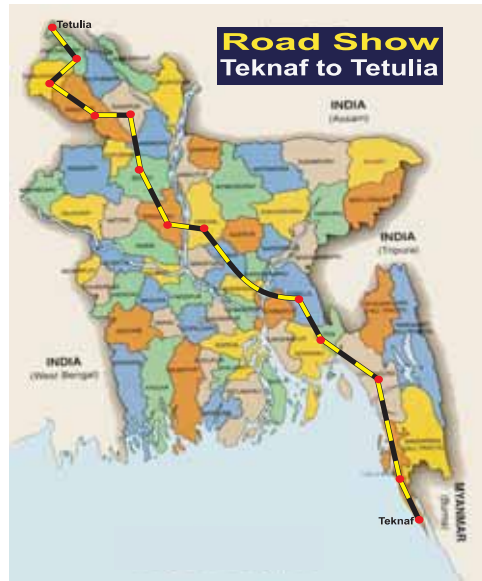
Governor Rahman at the Inaugural Ceremony of the Road Show in Teknaf

After the completion of the meetings in 13 different locations from Southern to Northern part of Bangladesh, the long journey of the road show was concluded by Deputy Governor Mr. Ziaul Hasan Siddiqui at Tetulia with a discussion meetings arranged by Brac Ltd. on SME, agri credit, money laundering and "Hundi" prevention and encouraging sending remittance through banking channel.

14.3 Achievements of Road Show

Multidimensional positive impacts have been visible in the economy as creation of entrepreneurs has become easier through disseminating adequate information on SME financing to potential SME entrepreneurs in the local levels. Positive impacts in the agricultural sector have also been visible due to providing adequate information on agri loan and products to the poor, landless and marginal farmers. People are encouraging their relatives living abroad to send money in proper banking channels after getting clear idea about the existing opportunities and benefits of the banking services. So, there is a positive effect on the FX reserve of the country. Massive awareness about money laundering and "Hundi" prevention as well as expansion of SME financing has reduced the bottlenecks to some extent in the overall economic development. People of a wider areas of the country have been informed about the issues discussed in the show and are getting scope to contribute in the country's development.

Roadmap of the Road Show



14.4 Remittance Fairs Abroad

14.4.1 Remittance Fair in UK and USA

In order to strengthen the economic base of the country, Bangladesh Bank is taking various initiatives not only within the country but also abroad. Remittance and Investment fairs were arranged in UK and USA during 12-24 September 2012 as a first step for inspiring the non-resident Bangladeshis working in various countries to invest in US Dollar Premium Bond, US Dollar Investment Bond and Wage-earner Development Bond and send the remittance through banking channel, and for ensuring these services through different exchange houses and drawing arrangements of Bangladeshi banks abroad. To make this arrangement successful, leaflets and brochures were distributed among the expatriates. The availability of the investment bonds, their high rate of dividend and simplicity of selling process were mentioned in the leaflets. The participating exchange houses, remitter companies and banks also notified their services to the expatriates. Open discussion and cultural program were also organized besides the spot bond sales through exchange houses. An exceptional and inspiring documentary was exhibited on the occasion of road show.

In support of the road show 2012 extensive promotional activities were arranged in the UK and USA for sales of different types of bonds and increase of remittance flow. The issues related to bonds and remittance was circulated through leaflet and posters, e-mail, television advertisement and talk-show. Mr. M. Mahfuzur Rahman, Executive Director and Mr. Bisnu Pada Saha, General Manager of Bangladesh Bank participated in the live talk-show organized by London ATN Bangla and Channel I respectively and spectators from the entire Europe including London watched the programs.

The United Kingdom

First meeting of the program was held in Briton on 13 September 2010 with the assistance of non-resident Bangladeshi organization 'Sonar Bangla Association'. This meeting took place mainly with the non-residents related to catering services in Briton. In that meeting, the counselor of Briton and a good number of non-resident Bangladeshis along with members of concerned committee of Bangladesh Bank were present. They exchanged views on increase of remittance flow and investment in bonds.



An exchange of views meeting of Bangladesh Bank representatives with non-resident Bangladeshis associated with catering services held on 13th September, 2012 at the initiative of Sonar Bangla Association.

On 14 September 2012, a meeting was organized in Birmingham with the support of BRAC Saajon, a subsidiary of BRAC Bank. Representatives from various exchange houses, banks and a number of top level non-resident Bangladeshi businessmen were present in that meeting. Representatives from exchange houses and banks mentioned several local problems, prospects and challenges in selling bonds.

A meeting of chief executives of different commercial banks of Bangladesh and their representatives and chiefs of the exchange houses, owned by various commercial banks of Bangladesh, was arranged at the office of EXIM Exchange House in White Chapel of London on 15 September 2012 at 10 a.m. In that meeting the officials of Bangladesh



Meeting in progress at the office of EXIM Exchange House in White Chapel of London

Bank exchanged views with the representatives of exchange houses on many issues. All were urged to be more active to raise remittance inflow in Bangladesh and sales of various types of investment bonds and were informed of the modified policies in the meeting. They were also advised to be vigilant so that the NRBs would not face any harassment in getting banking services. The representatives of exchange houses and banks pointed out many difficulties and problems in running exchange houses. Bangladesh Bank provided some directions after discussing various problems and the ways to probable solution.

Bangladeshi expatriates, living in UK for long holding honorable professional positions, joined a meeting on 15 September 2012 at Haro in South London. They were briefed about the ways and means of increasing remittance flow and updated the latest benefits of investment in existing bonds. The expatriates raised some problems and proposals



A meeting organized at White Chapel of London for exchange of views on the occasion of NRB-Remittance Fair

on the concerned issues. In open discussion, Bangladesh Bank answered many questions of the participants. Another meeting of the same kind was held on 16 September 2012 in East London. At the initiative of Euro-Bangla Trade and Investment Ltd., a two-day NRB-Remittance Fair

2012 was arranged during 17-18 September 2012 in White Chapel. In the meeting arranged on this occasion, advantages of investing in the bonds were discussed and many questions were answered directly in an open discussion. In the fair, banks and exchange houses, at their allotted stalls, described about their products, services and co-operations in sending remittance and their assistance in investing bonds with the participating guests. The Mayor of Tower Hamlet inaugurated the fair on 17 September 2012. Representatives from Bangladesh Bank delivered speech at the inaugural session. Besides, representative of British Bangladesh Chamber of Commerce, chief of British Catering Association and representative of Bangladesh High Commissioner in UK were present in the program and shared their valued suggestion on the ways to enhance remittance flow and investment. The chief executives of different commercial banks of Bangladesh also delivered their speeches in the program. In the stalls of the fair, various leaflets with information of remittance and investment, FC account opening forms of different banks, information of different schemes were presented before the visiting NRBs. Beside these, FC accounts were opened instantly and various questions from the NRBs were answered face to face. Bond and remittance related leaflets were also distributed and visitor's questions were answered from the stall of Bangladesh Bank.

United States of America

At the initiative of Bangladesh Bank, a views-exchanging meeting was held with the higher executives or representatives from different commercial banks of Bangladesh and chief executives of New York based exchange houses owned by various Bangladeshi commercial banks, representatives from exchange houses owned by non-resident Bangladeshis at a hotel in Jackson Heights of New York on 21



Snapshots from an exchange of views meeting with senior executives of different commercial banks of Bangladesh and their representatives and chief executives of New York based exchange houses owned by various Bangladeshi commercial banks and representatives from exchange houses owned by NRBs at a local hotel

September 2012. The agents of exchange houses recommended some steps for boosting up remittance inflow as well as sales of different bonds. Having discussed various problems and proposals for running the exchange houses in the meeting, Bangladesh Bank eventually provided necessary directions to chalk out solutions. A views-exchanging meeting was held on 22 September 2012 with NRBs at Bengal hotel in Peterson of New Jersey and a remittance and investment fair took place on 23 September 2012 at Gulshan Terrace Convention Centre in Woodside of New York. The representatives from Bangladesh Bank and local NRBs delivered speeches at the very beginning of the day-long fair. The benefits of investment in the bonds were presented and many questions were answered directly in an open discussion in the meeting by the officials of Bangladesh Bank.

The agents of the exchange houses owned by Bangladeshi commercial banks expressed their overall opinion; quoting exchange rate at a significant difference among various exchange houses and remitters in UK and USA; as a result they continue to face an uneven competition. Moreover, though there were excess exchange houses in London city, there were no branches of exchange houses owned by Bangladeshi commercial banks out of the city such as in Briton.

In those perspectives, they specified several proposals:

- To bring equality in the exchange rates among the exchange houses owned by Bangladeshi commercial banks and quote the exchange rate at a lower difference;
- To take necessary steps for the excessive exchange rate quoted by exchange houses owned by NRBs;
- To minimize the operating cost of the exchange houses and approve the introduction of agent system for collecting remittance in order to increase the inflow;
- To promote advertisement regularly in local newspapers and electronic media to uphold confidence and trust of the NRBs; with the initiative of Bangladesh Bank, Bangladeshi commercial banks and exchange houses together can play a role in this case;
- To control the aggressive exchange houses by the central bank.

14.4.2 Remittance Fair-2012 in Singapore and Malaysia

'Remittance and Investment fairs' were arranged in Singapore and Malaysia during 19-23 October 2012. In order to manage these programs successfully, seven officials - five from Bangladesh Bank and



Exchange of views meeting at the ball room of Park Royal Hotel in Singapore

two from Directorate of National Savings, Internal Resources Division under Ministry of Finance - participated in the programs separately in Singapore and Malaysia. In the programs, leaflets, pamphlets comprising various information on Dollar bonds were distributed among NRBs. Participating exchange houses, remitter companies and banks also informed them of their activities and services. Along with the discussion, display of documentary film and question answer session, a cultural program was staged by Bangladeshi performers.

Singapore

Agrani Exchange House, Singapore facilitated the first meeting of the program on 19 October 2012. Chiefs and officers of various exchange houses in Singapore owned by Bangladeshi banks, spokespersons from Bangladeshi banks, heads of local exchange houses and Bangladeshi remitters living in Singapore attended the meeting. Officials of Bangladesh Bank, Directorate of National Savings, Internal Resources Division under Ministry of Finance and Bangladesh High Commission officials in Singapore were also present there.

On 20 October 2012 fair and discussion meeting were held at Park Royal Hotel in Singapore. Participating banks briefed the NRBs about various services, products and bonds in the stalls. In Bangladesh Bank's stall, different queries of NRBs about bonds and remittance were attended



Exchange of views meeting at the ball room of Park Royal Hotel in Singapore

and they were inspired to send remittance through banking channel. Their multiple problems were discussed in the meeting and guests were assured that initiatives would be taken to solve those. The local Bangladesh High Commission would also extend their co-operation on this.

Malaysia

Remittance and investment fair were organized at Mardeka Square in Kuala Lumpur on 21 October 2012 with the support of NBL Money Transfer, Malaysia. The banks in their stalls brought their services, products and bonds at the notice of the NRBs. In BB stall, various questions on bond and remittance were answered and participating NRBs were encouraged to purchase bonds and remit through banking channel. Officials from Bangladesh including Bangladesh Bank and Bangladesh High Commission in Malaysia were there. NBL Money Transfer, Malaysia also arranged another meeting which was held at the ballroom, Seri Pacific Hotel in Kuala Lumpur on 22 October 2012. Chiefs of Bangladeshi banks owned exchange houses in Malaysia, representatives from different Bangladeshi banks, heads of local exchange houses and NRB leaders in Malaysia and Bangladeshi remitters attended the meeting.



An open discussion meeting held at Mardeka Square, Kuala Lumpur, Malaysia

Agents of the exchange houses mentioned that no sources either the government, non-government or banks informed them about this before the remittance and investment fair. Those who knew it also had ambiguities on the process of issuance or purchase of bonds, getting the value and return on investment. They also explained their untoward experiences. Many of them opined that sales of bonds would go up several times if done online.

The general NRBs also showed great enthusiasm and conveyed their opinions as such:

- To initiate simplified ways either online or alternative process to purchase bonds as the location of the exchange houses owned by Bangladeshis are centralized.
- To offer special incentives to the remitters and investors of higher amounts for inspiring them; for example: special service in the airport through issuance of special cards, VIP and other honors to those who invested comparatively low amount in addition to awarding with CIP honor, exhibition of their photos in the local newspapers where necessary etc.

14.4.3 Remittance Fair in Bahrain and Oman

Remittance and Investment fairs were organized in Bahrain and Oman during 20-21 December 2012 and on 23-25 December 2012 respectively. Friendly and views-exchanging seminars were arranged on 20 December 2012 with Nonu exchange house, one of the renowned exchange houses of Bahrain, Bahrain Finance Company and Exchange House, Dalil



Seminar held in Bahrain with the NRBs at Manama city

Exchange House and Janes Exchange and on 21 December 2012 with NRBs of varying professions at Ramada Palace hotel, Bahrain. A seminar also took place at Al-Falaz hotel and Hamdan Plaza hotel of Oman with the NRBs living in the province of Salalah, Oman during 23-24 December 2012.



Seminar at Ramada palace hotel, Bahrain

Bangladesh receives a significant amount of remittance from Oman and Bahrain. Though remittance through illegal ways decreases, considering the number of non-residents, remittance flow in Bangladesh from these two countries is much less compared to other countries. In this respect, non-resident Bangladeshis and foreign Exchange Houses recommended the following proposals and suggestions:

- Bonds may be sold through foreign Exchange Houses with which Bangladesh Bank has drawing arrangements along with the exchange houses abroad owned by Bangladeshi banks.
- Non-residents are getting perplexed as different banks quote separate rates; even the difference among the rates is too big. Exchange Houses also face problems. Customers and exchange houses both will be benefitted if a same rate or a range for rate is determined. Bangladesh Bank can play an important role in this case.
- To establish a bank in the Middle East through which non-residents can get loans and run businesses; as a result, sending remittance will be easier.

- Bangladesh Bank may take special initiatives to ensure the prompt and safe delivery of the remittance sent from Oman and Bahrain.
- To introduce API (Application Programming Interface) based Payment system instead of EFT, at which an account holder living abroad will be able to deposit money in his/her account in Bangladesh without help of anyone.
- Though Filipinos are only one-third in number compared to the NRBs in Bahrain, the amount remitted to the Philippines every year is almost twice the remittance sent to Bangladesh. A research should be conducted to unearth why Bangladesh gets less remittance and what steps are to be taken to increase it.
- To separate the accounts of NRBs and impose no tax for encouraging remittance.
- To assist the Bangladeshis coming back from other countries forming a 'Non-resident Welfare Fund'.
- To give interest on Non-Resident Foreign Currency Account.
- To ensure maintenance of non-resident accounts by all the outgoing labors and offer financial education on banking abroad.
- To provide cheque books and ATM cards while opening accounts and not to mark those dormant if there is no transaction in the accounts for long.
- To arrange opening of accounts for the NRBs, who left the country without opening any account, with the help of various commercial banks and exchange houses abroad.
- To launch Islamic bond for the countries of the Middle East.
- To air advertisements on the foreign TV channels and newspapers on a regular basis.
- To provide some facilities in Bangladesh for the NRBs so that they are more interested to come back home and send remittance.

14.4.4 Bangladesh Trade Fair-2012 in Kuwait

Islami Bank Bangladesh Ltd. organized discussion meetings at Janata Hotel and Al Mutairi Auditorium in Kuwait on 26 December and 28 December 2012 respectively. At the International Trade Centre of Kuwait, 'Bangladesh Trade Fair-2012' was arranged by Kuwait-Bangladesh Chamber of Commerce and Industry (KBCCI) during 27-29

December 2012 and the concluding session was held on 30 December 2012 at Crown Plaza Hotel in Kuwait. NRBs living there got encouraged and enthusiastic immensely visiting the unitary fair for Bangladeshi products in Kuwait for the first time. About 50 organizations from Bangladesh including commercial banks and Bangladesh Bank, ICB and several Money Exchange companies - joined the fair. Some commercial organizations including nine from real estate sector, BRB Cable, Pran, RFL, Sajib, IFAD group, ICT, Asset-management companies also participated in the fair. Banks and other organizations in the fair briefed the visitors about their products and services from their well decorated stalls. Bangladesh Bank also had a specific stall. BB officials drew attention of the visitors by distributing brochure of policies for remittance and investment bonds. The NRBs were encouraged to send FX through banking channel and invest in Dollar bonds. At the same time, leaflets, containing the information of benefits of investment in Dollar bonds along with the newly offered privileges by the government, were distributed. People were excited and motivated visiting the stall of Bangladesh Bank. Investment Corporation of Bangladesh (ICB) sold certificate of Bangladesh Fund valued about Tk. 50 million (USD 1 = BDT 80 approx.) and got commitment of certificate sales for another 1 billion taka.

Views/Opinions received in Kuwait

- To bring similarity in the exchange rates or quote the exchange rate at a smaller difference;
- To introduce agent system for increasing the remittance flow;
- To promote advertisement in the electronic media regularly for boosting up remittance flow and attracting investment in bonds;
- To take initiative to give the representative of Sonali Bank at Bangladesh High Commission in Kuwait thorough ideas on bond related issues;
- To lower the upper bound of investment for enjoying the CIP status and uploading the related rules and regulations in the website of Bangladesh Bank.

14.4.5 Remittance Fairs in Germany, Italy and Greece

Remittance and investment fairs were organized in Germany and Italy during 24 February - 03 March 2013 at the initiative of Bangladesh Bank and nine commercial banks. Later on a representative team from Bangladesh Bank attended an awareness program with NRBs at Athens



Participants at remittance and investment fair organized in Frankfurt, Germany

in Greece on 05 March 2013. First meeting of this program was held on 24 February in Frankfurt. NRBs coming from Berlin, Stuttgart, Dusseldorf, Hamburg, Karlsruhe of Germany also participated in the meeting. The Bangladesh Bank team invited nonresidents to invest their hard earned savings in various Dollar bond schemes instead of keeping it idle in the zero interest regimes like Germany.



A section of the gathering at the remittance and investment fair in Rome, Italy (left). A non-resident Bangladeshi woman delivers speech (right)

Meetings were held in Milan, Napoli and Rome in Italy on the occasion of remittance and investment fair. The NRBs attended those programs spontaneously. They gathered in the programs with excitement and expectations as they had the high officials from Bangladesh Bank, various commercial banks and High Commission together for the first time and exchanged views openly on multiple issues. A significant number of NRBs attended the program held at Titania hotel of Athens in Greece. In an open discussion, they informed that the global economic

crisis had affected them too; despite they have still been working there with trust and goodwill.



A non-resident Bangladeshi asks questions at a seminar in Athens, Greece

Certain views received from remittance and investment fairs in Germany, Italy and Greece, are:

- There is no bank branch or bank-owned exchange house in Germany. Even no bank has drawing arrangement with any other company. To establish exchange companies by Bangladeshi banks in the Bangladeshi inhabited localities of Germany with a view to send remittance easily;
- To make arrangement for investing nonresidents' money in sanchaypatra easily and to introduce special sanchaypatra for the nonresidents, if possible;
- To introduce Euro-bond along with Dollar bond for the nonresidents in Euro zone and the investment will increase manifold if there is opportunity to buy bonds through online;
- To make arrangement by the government at easy terms for sending the Bangladeshis, who returned from Greece, abroad exploring new labor market and giving them priority.

14.5 Financial literacy program

Bangladesh Bank has been giving a special emphasis on financial inclusion and financial literacy programs over the last few years in order to bring mass people of the country under financial services aiming at alleviating poverty and attaining broad-based inclusive growth. In fact,



Governor Rahman inaugurates 'Financial Literacy Campaign' at Bangladesh Bank

these two programs are considered as the dual pillars of development around the world. People require capability and competence to take decision or to understand how does money works, where money is safe, how to ensure best and safe use of money. Financial literacy refers to this Capability and Competence of a man through which he/she can ensure best and safe use of his/her earned money. Financial literacy extracts the potent demand of human being to acquire knowledge on financial issues, to create awareness in them about economic demand and economic plan as well as to provide basic knowledge of financial education. Being supported by the financial aid of UK based UKAID, BB has undertaken well-planned initiatives to expand financial literacy program. First stage of financial literacy program is designed by giving priority to the need of school-college students, disadvantaged class of society who are out of banking services, women, and old people of the country. BB Governor Dr. Atiur Rahman has inaugurated 'Financial Literacy Campaign' on 19 May 2013 with a formal program. Under this program, dissemination of information regarding financial literacy has been going on by the print media. Very soon, it will be broadcasted by television and radio. A special web-link on this issue will be added to our BB web-site. This site will be organized with various features, stories, and video games on banking services in easy language so that people of all ages can get financial education by visiting this site. Along with these, special programs will be relayed by radio and television. A currency museum has been established at the 1st floor of Bangladesh Bank Training Academy in Mirpur, Dhaka whose foundation stone has been placed. A school banking corner will be in the museum where students can get banking information. Digital system will be available there.

14.6 New dimension in the publications of Bangladesh Bank

A data-based/enriched and standard publication acts as the spokesman of an institution through which people can achieve detailed knowledge. Considering this fact, over the last four years printing standard, excellence and diversity in Bangladesh Bank's publications have been enhanced. Actually, the standard of Bangladesh Bank's publications now is more developed than that of previous ones. At present BB has 20 regular publications and numerous irregular publications which present the vivid picture of overall activities of the country as well as the initiatives taken by BB. Monetary Policy, Agricultural Credit Policy, Green Banking, Environment-friendly activities, CSR, Modernization in Payment systems and banking sector, Mobile Banking and financial inclusion programs and other policy initiatives of BB have been presented to the people through easy and simple publications. Current activities of BB have been depicted to the reader through various publications along with the publications entitled 'Development Central Banking in Bangladesh: Recent Reforms and Achievements (2009-12)'. Beside this, BB has also published many leaflets, posters and brochures containing message safeguarding the interest of general people. Leaflets, bearing the features and facilities of US dollar investment, premier bond and wage earner development bond, encourage the people living abroad to invest in our country.

The publications like 'Bangalir Chiroshongi Rabindranath' on the occasion of 150th birth anniversary of World poet Rabindranath Tagore, special article of the BB award winner economists, commemorative book 'haor jungle mosher shing' on the occasion of inaugural ceremony of Mymonshing office of BB, commemorative book on taka museum 'commemorative currency and bank note' etc. are the glowing examples



Recent publications of Bangladesh Bank

of data based and diversified publications of BB. BB's internal journal 'Bangladesh Bank Porikkroma' is published every month with new get up, make-up and diversified information which has been able to attract attention of the reader.

A new warehouse composed of great works of the famous artists on Banking, economics, nature and environment of three generation has been established in BB. These arts comprise murals, architectures and paintings. Recently BB has collected a valuable painting of Shilpacharjo Joynul Abedin from his family. Joynul Abedin drew this painting entitled 'Palestine' when he was living in Jordan after visiting the war affected area with the philistines' guerrilla group Al-Fatah in 1970. A new album



Governor Rahman receives a painting titled 'Palestine' by Shilpacharjo Zainul Abedin from his wife. Family members of Shilpacharjo and senior executives of BB were also present on the occasion

containing detailed description with pictures regarding these collections and assets of BB has been published. The international standard album entitled 'Bangladesh Bank's arts collection' is edited by the artist Hashem Khan and Professor Muntasir Mamun. A Graphic Design Section is also established in the Department of Communications and Publications with a view to elevating the standard of BB's publications to more updated and modern. Our efficient, talented and artistic knowledgeable employees are engaged in preparing and designing cover page, get-up, and make-up of the publications. New dimension is always added to BB's publications due to the application of modern information technology.

14.7 Inauguration of initiatives to build poverty-free digital Bangladesh

Formal presentation program of initiatives for banking sector automation and financial inclusion was held on April 27, 2013 in Bangabondhu International Conference Centre. Although honorable prime minister was supposed to attend the program 'Poverty free digital Bangladesh' and



Finance Minister Abul Maal Abdul Muhith inaugurates initiatives taken by BB to build poverty free digital Bangladesh

'Initiatives taken by Bangladesh Bank' as the chief guest, ultimately she could not attend the program due to her emergency works. Finance minister Abul Maal Abdul Muhit inaugurated the program on behalf of Prime Minister. BB Governor Dr. Atiur Rahman has presided over the program. S.K. Sur Chowdhury, Deputy Governor of BB, has given welcome speech and Deputy Governor Nazneen Sultana has given briefing on the program. Some of the development and humanistic initiatives which have been undertaken by BB were presented through digital projection. Finance minister inaugurated the program pressing on an electronic switch. Earlier, he has unveiled digital cover of three publications named 'Bodle Jaoa Bangladesh Bank: Four years of development'; 'Bank Note and commemorative currency' and Arts collection of Bangladesh Bank. Besides, he also placed foundation stone of 'Taka Museum' to be built in Bangladesh Bank.

Finance minister said 'I am highly pleased to inaugurate formally the digital activities of Bangladesh Bank over the last four years'; the initiatives that BB has undertaken to implement the vision 'Poverty-free digital Bangladesh' of the government is really appreciable. BB has proceeded a long way to attain digital Bangladesh over the last four years.

Ministers, state ministers of the government, advisors, parliament members, secretaries, members of embassies, representatives of political and civic society, business leaders, economists, intellectuals and officials of BB were also present in the program.

Currency Museum

We can learn about the lifestyle, education, culture and various aspects of ancient civilizations of the world by going through the archaeology. The history of innovation of currency is specially related to this study. History reveals that currency was introduced in the old Mesopotamia and Egyptian civilizations in 2000 BC. At that time, coins made of various metals like bronze, silver, copper etc. were in use for about 1500 years. The usage of currency is also observed in ancient India. The use of paper money was initiated at first in China in the beginning of seventh century. In Europe, it started its journey from Sweden in 17th century.

Currency collection is one of the major popular and delicate hobbies. Besides pleasing mind, it provides extra-ordinary knowledge on culture and economic movement of different countries. Though the history of discovering currency is very old, currency collection record is only 2000 years old. Kings in the pre-historic age used to collect currencies as a special hobby. But with the passage of time, it has spread among the general people. So the hobby of kings at ancient time is now known as the king of hobbies to many people. It is a much popular hobby in Europe and America. There are patrons of this hobby in Bangladesh too.



A glimpse of the preserved currencies at the Currency Museum of Bangladesh Bank

Currency collection has been considered as a hobby from the ancient period. Paper money collection is comparatively modern; its expansion has begun since 19th century. From that time with the collection of metal coins and paper money, research on them also has extended

throughout the world. The demand for Bangladeshi metal coins and paper money is gradually increasing in the world currency collection market. Existing metal coins and paper money or concerned topics along with electronic instruments like Credit card, Debit card, Visa card etc. are being used for collection and research. Now currency has become associated with training for banking activities and education of various subjects like History, Economics, Accounting, Finance etc.

Currency is the sign of princes or the symbol of sovereignty of a state. In our daily conversation, we still use the two words - 'cowry' and 'kapordok'. These two words have been influencing Bengali language, literature, culture and economy since the early age. Then the ministers, commanders and courtiers and businessmen used to use currency. Low standard metal coins (Pie and paisa) were introduced, at first, during the British reign and gradually they were being utilized by common people.

One of the components of the central banks of various countries in the world is currency museum; it illustrates the history of note and currency, economic life-style etc. of the concerned country to all levels of people, especially the young generation and local and foreign tourists.



Governor Rahman visits IT facilities of Bangladesh Bank Taka Museum

Bangladesh Bank founded a currency museum of a limited scale in 2009. Currencies and bank notes of almost all countries of the world had been displayed there. Now a foundation work is nearly at the last stage to transform the existing currency museum into a new structured, spacious and digital technology based modern 'Taka Museum' on a space of six

thousand square feet at the 1st floor of Bangladesh Bank Training Academy building in Mirpur, Dhaka. In order to make the Taka Museum as a full, modern, prosperous and digital technology based museum, a 'Taka Museum Implementation Team' was formed consisting of four members - artist Hashem Khan, historian Muntasir Mamun, architect Rabiul Hussain and Dasgupta Ashim Kumar, Executive Director of Bangladesh. Visiting the currency museums of Malaysia and Philippines, the members of the team decided to use innovative digital technology in Taka Museum like those of the two countries. Now the museum is being built as an international standard fully digital museum using state of the art technology including digital signage, kiosk, LED TV, projectors etc. In order to present a beautiful, reflective and spectacular Taka Museum, Mr. Tarik Sujat, chief executive officer of interior decoration organization 'Journeyman' is actively superintending the job of interior decoration and digitization.

To enrich the collection of the museum, currency purchase policies have been formulated. News bulletin has been published requesting gift or grant of old and rare currencies for expanding the collection. In response to BB's call, many people have presented their valuable currencies to Taka Museum. More than 2500 currencies of different ages have been purchased and collected till now. Currency collection process is still going on. Currencies of the age of Horical, Samotot of ancient Bangla together with Bangla old notes and coins of the periods starting from Mourjo and Gupta to Sultani, Mughal and British rules are among the collected currencies. The currency gifts, Bangladesh Bank receives,



Coins of different ages

are published in BB web-site and newspapers. At the exhibition hall of the museum, the names of the presenters will be written beside the gifted currencies. Department of Archaeology Bangladesh and National Museum of Bangladesh have also been requested to gift ancient rare currencies. To operate the museum smoothly, some new posts have already been sanctioned for expert officials. Efforts are going on to formulate an inventory for the coins and notes preserved here.



Governor visits the Taka Museum which is under construction



Inside of the Taka Museum

It can be expected that a decent, modern technology based international standard Taka Museum will be opened for visitors very soon. This museum will be a great source of knowledge on currency for all people including teachers, students of school, college, university and of research for researchers. At the same time, its beauty and state of the art technology will attract all visitors together with children and youths and provide them pure joy. Children and teen agers will be able to learn and introduce themselves with currencies of old ages and they will have the opportunity to get their photos on the specimen notes.

New Office of Bangladesh Bank in Mymensingh

A new office of Bangladesh Bank has been opened in Mymensingh with a view to decentralizing the activities of the central bank, strengthening the supervisory job and reaches the banking services at the doorsteps of the customers. The financial sector of the country has expanded as did the number of banks and FIs in line with the growing economy of the country. Also expanded the industry, trade and agriculture as well as people's economic activities, transactions and demand for currency. Bangladesh Bank has been introducing new strategies regularly and engaging skilled manpower to deal with these growing demands and activities and to ensure its proper movement and interaction. Despite these, most of the demands can't be considered and met up by the head



Governor Rahman inaugurates the 10th branch office of Bangladesh Bank at Durgabari in Mymensingh

office and Motijheel office in Dhaka, for manifold reasons. Considering the importance of performing various tasks properly and timely by the head office and Motijheel office of BB along with the consideration of



Governor Rahman delivers speech at a seminar held in Bangladesh Agriculture University on the occasion of inauguration of Mymensingh Office

economic, commercial and social importance, it becomes inevitable to extend Bangladesh Bank's branch after a long break of twenty two years. While selecting the location of new branch, Mymensingh is selected as the centre point of all six districts of greater Mymensingh i.e. Mymensingh, Jamalpur, Kishoreganj, Netrokona, Tangail and Sherpur. On 16 January 2013, the governor of Bangladesh Bank Dr. Atiur Rahman inaugurated Mymensingh Branch at the temporary office of Durgabari road in the town. On the same day, a friendly seminar was held at Shilpacharjo Zainul Abedin auditorium of Bangladesh Agriculture University on the occasion of the inauguration. Governor Dr. Atiur Rahman unveiled the souvenir 'Haor, Jangal, Mosher Shing' on the auspicious opening ceremony of Bangladesh Bank Mymensingh Office. Local parliament member, member from Planning Commission, Vice Chancellor of Bangladesh Agriculture University, Mayor of Mymensingh City Corporation, District Commissioner, local respectable persons, bankers and higher officials of Bangladesh Bank were present at the function. Mentioning the history, tradition and prospects of Mymensingh in the seminar, governor called the banks and FIs to work closely with Bangladesh Bank with a view to contributing in the socio-economic development of this area.

16.1 Monitoring of bank branches

There are about 600 branches of commercial banks in Mymensingh, Jamalpur, Kishoreganj, Netrokona, Tangail and Sherpur, which are more

than 7 percent of total branches in Bangladesh and 21 percent of total branches under the Head Office, Bangladesh Bank. Now these branches will be monitored by Mymensingh Office. It is mentionable here that 35 percent of total bank branches operating in Bangladesh are now under the jurisdiction of Bangladesh Bank, Head Office, which is predominately centralized. As a result of opening new office in Mymensingh, this percentage will come down to 28 percent as well as the monitoring process of BB will be reinforced in these bank branches. Because of larger in numbers and the distance, monitoring and inspection of commercial banks' operations in these six districts were inconvenient. With this initiative of decentralization of inspection, a large number of branches will come under direct inspection of Bangladesh Bank.

16.2 Commercial importance

This area has been playing an important role in expansion of industry and trade of the country for a long time. This area can develop more economically if different if the local potential sectors can get adequate banking services and other financial assistance. This region has unlimited potentials in the sectors like agriculture, agro-based small and cottage industries specially rice-mill, jute goods, handloom and handicrafts, fish processing, poultry, dairy firm, beef fattening, light engineering industry etc. Mymensingh is already famous for Renu Pona (Juvenile Fish) and fish cultivation. About half of the fishes of the country are grown here. Glass industry with the sands of river Brahmaputra and ceramic industry with the porcelain of Bijoypur in Netrokona may be developed. Though a large portion of the population of this area is women, the number of women entrepreneurs is very low. But it is very important to involve them with the economic development of the country. Bangladesh Bank has set up its branch office in Mymensingh so that it can foster the socio-economic development of this region by utilizing these prospects. Bangladesh Agriculture University is continuing researches for agriculture, fish and small machineries for agriculture. This office will work on how to relate the issue of SME financing with the research work of the university, reach financial services to the underserved people using the linkage of microcredit institutions situated in nooks and corners of this area. The presence of Bangladesh Bank will be successful only when it will be able to play a positive role in extending the economic activities of the six districts of greater Mymensingh.

16.3 Communication

The geographical location of Mymensingh town is very promising to setup a new office of Bangladesh Bank. Mymensingh was once the largest and now the third largest district of Bangladesh. The rest five districts of greater Mymensingh surround the Mymensingh town. So, it will be very easy to communicate with the rest five districts from Mymensingh office.

16.4 Economic Activities

A large volume of goods are exported from six districts of greater Mymensingh and these export proceeds play a vital role in increasing FX reserve. This area, inhabited by almost 25 million people, occupies about 13 percent land of the country. These widespread lands are exceptionally suitable for cultivation also. Most of the lands are good for two and three harvests. Nearly 50 percent people are associated with agriculture. In a word, based on the features, Mymensingh can be termed as an area of agriculture and farmers. In 2011, agriculture loans for Tk. 77.68 billion (USD1=BDT80 approx.) were disbursed in this area. The volume of disbursed loan in agriculture amplified remarkably in last six years. Diversified harvest of crops of this region captivates one's mind and heart. It is presently self-sufficient in food. There are huge prospects not only in agriculture, but in export also. Jute and jute goods, mustard oil seeds, peanuts, pulses etc. are exported from this region. Now the export of processed fish and shrimps has also started. The existence of Bangladesh Bank in this area will be supportive in growing export and other economic activities. Every year, huge government revenue is collected and deposited in the government account from this area through Sonali Bank Ltd. These transactions will also be easier through Mymensingh office.

16.5 Cash Management

Compared to the existing volume of transactions, the space in the exchange vault of Motijheel office of Bangladesh Bank is not sufficient. Now Taka can be preserved in the vault of Mymensingh office, relatively adjacent to Dhaka. A large number of old and mutilated notes are received by Bangladesh Bank Motijheel Office from various commercial banks in Dhaka. Henceforth Mymensingh office instead of Motijheel

office will be able to take these notes and the entire process will be time saving and easier. The number of old and damaged notes is increasing gradually. As there will be adequate room in Mymensingh office to preserve old notes, smooth note-counting will be possible. For the lack of particular and adequate space, at present, shredding machines are used to destroy notes, which is very time-consuming. Note destroying process will also be accomplished easily. As daily demand for Taka by other banks together with Bangladesh Bank offices and need for new notes during Eid-ul-Fitre and Eid-ul-Azha are increasing gradually, printed new Taka from the Security Printing Press of Gazipur will directly be transferred and preserved in Mymensingh office, where from the transfer again to Chittagong, Khulna, Barisal, Sylhet, Rajshahi, Rangpur and Bogra will be easier at necessity. Besides, banking activities like purchase and sales of sanchaypatra and prize-bond, operation of treasury function, running of clearing house etc. can be performed duly.

16.6 Other facilities

A floor of Bangladesh Bank Training Academy is occupied by the disaster recovery (DR) centre. Main purpose of building DR centre is being hampered due to short distance. If data centre gets inactive for natural disaster such as earthquake, flood and other calamities, all activities are carried out through DR site. As a result of branch opening and constructing own establishment in Mymensingh, DR centre can be moved to Mymensingh which is considered as flood and earthquake free area. Last massive flood affecting this area was in 1787 and it was even out of the reach of the devastating flood during 1998. There was no severe earthquake after 1897 in this area. As land is available here, getting government khash land allocation for branch building within or outskirts of the town or personal land purchase will be more convenient. The scope and workload of the Head Office and Motijheel Office of BB, located at the capital Dhaka, have been increasing in line with the gradual increase of financial sector including the number of banks and FIS. To keep pace with this, use of new technology and appointing talented manpower is being ensured. For the same reason, a new branch of Bangladesh Bank has been opened in Mymensingh. As a result of setting up the tenth branch of Bangladesh Bank in Mymensingh, an old and heritage town of the country situated at a short distance from capital Dhaka, considerable number of works of head office and Motijheel office are expected to be accomplished properly and timely.

16.7 Changes in economic activities of Mymensingh after the establishment of the branch office

There has been an extensive response in the economic activities of Mymensingh after the establishment of the branch office of Bangladesh Bank here; agricultural credit disbursement and financial inclusion activities and SME programs have been expedited. General people are gradually being connected with economic activities. Banking inspection departments are monitoring agricultural and SME credits side by side of operating inspection programs. Besides, CIPC is receiving complaints from public and solving the problems communicating with concerned banks. As a result of establishment of Mymensingh office of BB, at the one hand, economic activities in this area are speeded up, on the other, new employment is being generated.

Appendixes

Monetary policy statement (July-December 2013: H1FY14)

This issue of the Bangladesh Bank (BB) half yearly Monetary Policy Statement (MPS) outlines the monetary policy stance that BB will pursue in H1 FY14 (July-December 2013), based on an assessment of global and domestic macro-economic conditions and outlook. This MPS was preceded by productive consultations with a range of key stakeholders and web-based comments were also received.

In FY12 the economy was faced with the challenges of rising inflation and balance of payments pressures stemming largely from a sudden surge in oil imports. In order to address these challenges BB pursued a more restrained monetary policy stance which, along with other policy measures, helped curb inflationary pressures and significantly strengthened foreign exchange reserves. In FY13 the economy faced a different set of challenges. Robust foreign remittance and export growth along with sluggish import growth led to a sharp growth of Net Foreign Assets (NFA) which needed to be sterilized. Moreover declining inflation and concerns over a slowdown in growth created space for a 50 basis point rate cut by BB in January 2013 with the aim of influencing bank lending rates downwards. At the same time the January 2013 MPS set out a monetary program consistent with bringing average inflation down to the targeted 7.5% level.

Data for the second half of FY13 suggests that solid progress was made towards these key objectives. Reserve money growth and growth of net domestic assets of Bangladesh Bank remained within program targets, despite the aforementioned NFA surge. Broad money growth was also close to program targets. Average inflation measured using the 1995/96 base year continued its decline and in June 2013 it reached 7.70% from 8.40% in January, though core inflation (non-food, non fuel) is on a rising trend since April 2013 reflecting aggregate demand pressures. Retail interest rates also declined during these six months with the spread between lending and deposit rates dipping below 5% and its trend

indicating that lending rates have declined faster than deposit rates. Frequent strikes in H2FY13 contributed to general investor uncertainty which along with more stringent lending practices by domestic banks led to a slowdown in domestic private sector credit growth. The introduction of new foreign currency borrowing facilities by BB partially compensated for this as some consumers switched to lower cost overseas financing with overall private sector credit growth, from both local and foreign sources, amounting to 13.6% in May 2013. GDP growth in FY13 is estimated to be 6.03% by BBS, slightly short of BB's FY13H2 MPS forecast of 6.1-6.4%.

Improved external balances are reflected in the accumulation of international reserves to over USD 15 billion at the end of FY13, sufficient to cover 4.9 months of projected imports. Key underlying drivers included double digit remittance and export growth coupled with sluggish imports. The Taka: USD nominal exchange rate appreciated by 2.6% in H2FY13 and real exchange rate data suggests that there has been a marginal loss in export competitiveness – though BB's interventions in the foreign exchange market have limited this significantly by slowing the appreciation of the Taka in keeping with the goal of avoiding excessive exchange rate volatility. Moreover by opening up working capital borrowing at lower interest rates from foreign sources to exporters in FY13, and increasing the size of the Export Development Fund (EDF), export competitiveness is being actively supported.

Looking ahead to FY14, the inflation target announced in the Budget is 7.0% using the 1995/96 base. The equivalent target using the 2005/06 base could be in the range of 6.0-6.5%. The risks to the inflation target stem partly from likely wage increases in both the public and private sectors which will further add to existing aggregate demand pressures. Another risk to food inflation in particular stems from possible supply-side disruptions if prolonged nationwide strikes take place, recent increases in food inflation in India and as in all years risks due to weather related factors affecting agriculture. BB's current growth outlook for FY14 is that output growth is unlikely to deviate significantly from the last ten year average of 6.2%. This is based on current and projected trends of a number of variables including global growth, exports, investment, imports, remittances etc. BB will update its forecasts on a regular basis during the course of the year and the

monetary program will also be flexible to accommodate any significant change in these forecasts.

The monetary stance in H1 FY14 takes these recent economic developments into account and will target a monetary growth path which aims to bring average inflation down to 7% (using the 1995/96 base), while ensuring that credit growth is sufficient to stimulate inclusive economic growth. Specifically we aim to contain reserve money growth to 15.5% and broad money growth to 17.2% by December 2013. The space for private sector credit growth of 15.5% for December 2013 and 16.5% in June 2014 has been kept well in line with economic growth targets and higher than the average of 'emerging' Asian economies. This level is sufficient to accommodate a substantial rise in demand for credit if it materializes though actual private credit growth may not use up all the space in the monetary program as it will depend on the investment climate in the lead-up to the national elections. The monetary stance also assumes government borrowing from the banking sector will remain around the FY14 budgetary figure of 260 billion taka.

The decision to keep repo rates and reserve requirement ratios unchanged following the fifty basis point rate cut in January 2013 was based on a number of factors. The growing inflationary pressures over the past several months along with the prospects of wage pressures, possible supply-side disruptions and rising regional inflation imply that achieving the FY14 inflation target of 7% will be a challenge. As such BB has decided to keep policy rates unchanged. Moreover the growing liquidity in the banking system suggests that an easing of reserve requirement ratios is also unnecessary.

Effective transmission of monetary policy requires strengthening credit and debt markets and this will remain a key focus for H1FY14. Overall there is a greater focus on improving corporate governance in banks as well as using automation and capacity building to strengthen BB supervision. Specific actions within performance agreements (MOUs) for SCBs and specialized banks including Basic Bank include ceilings on loan growth and the need to provide regular reporting to BB on a number of issues including large loan approvals, single borrower exposure, off-balance sheet items etc. Clear progress on these benchmarks will be important before any recapitalization of these banks.

This monetary policy stance also aims to preserve the country's external sector stability. BB anticipates further build-up in foreign reserves in FY14 though at a more moderate pace than FY13. BB will continue to support a market-based exchange rate while seeking to avoid excessive foreign exchange rate volatility.

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Monetary Policy Statement for the Second Half (H2) of FY 2013

Bangladesh Bank issues and conducts Monetary Policy to support the attainment of the government's inclusive economic growth target while keeping CPI inflation at stable and tolerable minimal level. Today I present the half yearly Monetary Policy Statement (MPS) for H2 FY13 (January-June 2013) in the context of global and domestic macro-economic conditions and outlook. As usual, for formulation of this statement, we took into consideration opinions, suggestions and observations of specialists and stakeholders through direct consultation and websites.

In FY10 and FY11 Bangladesh Bank eased monetary policy stance significantly in order to cushion the impact of sluggish global economic growth caused by global financial crisis on the economy of Bangladesh. Along with this, due to various active measures taken by the government for stimulating the real economy, averaging 6.2 percent GDP growth had been maintained during FY10 and FY11. In FY12 the economy faced a different set of challenges related to persistent inflationary and balance of payments pressures. In order to address these challenges the monetary policy of FY12 took a more restrained, cautious stance; as a result, in spite of accommodating a near 20 percent private sector credit growth, the targets of lowering inflation and lessening the balance of payments pressures were achieved.

The core objectives of July 2012 MPS for FY13 had been a) limiting domestic credit growth to a level consistent with the single digit CPI inflation target b) ensuring adequate supply of credit to growth supportive productive activities and c) improving FX reserve to a more comfortable level by restoring external sector stability. Data of the first half of FY13 suggest that the achievement of these objectives is largely on track. Average CPI inflation has been declining steadily over the past nine months, from a peak of 10.96% in February 2012 to 8.74% in December of 2012 and within reach of the FY13 target of 7.5%. This decline has been due both to lower food and non-food inflation with point to point non-food inflation declining from a peak of 13.96% in March 2012 to 8.43% in December 2012. Apart from food and fuel, core

inflation of other sectors such as non-food, non-fuel inflation, also reflects the downward trends.

Global output growth is expected to be 3.6% in 2013 with the average for developing countries projected at 5.6% and high income countries at 1.5% which is a marginal improvement over 2012 and with significant downside risks of demand in key trading partner countries. The projected domestic credit growth set by Bangladesh Bank in July 2012 MPS was more than sufficient to meet the Government's growth target of 7.2% mentioned in the budget. However, primarily due to this sluggish global economy various forecasts highlight significant dampening influences on this growth target. Bangladesh Bank's forecast suggests that FY13 real GDP growth is unlikely to be less than the previous ten years average and may exceed it if global conditions improve.

On the external front, gross FX reserve was USD 12.8 billion at the end of December 2012, which is equivalent to 4 months' import cover. In early March 2013, it was more than USD14 billion. The value of Taka against USD is following an upward trend despite continuous purchase of USD by Bangladesh Bank from inter-bank market to keep the Taka: USD exchange rate stable. We purchased around USD 2.6 billion from the market during 1 July 2012 - 29 January 2013. Securing alternative sources of external financing for oil imports, lower import demand especially for food grains, continuing export growth combined with strong growth in remittance inflow-all contributed to this enhanced external sector capacity.

There were three key developments that contributed towards achieving the targets of monetary policy in H1FY13. First: the sharp increase in foreign remittances by 22% and lower imports contributed to a sharp increase in Net Foreign Assets. While this contributed to the much needed reserve build-up, it also led to some over shooting of monetary targets with broad money growth at 18.6% in November against a target of 16.2% in December 2012. The second key development relates to the sharp decline in inter-bank rates which fell from a peak of around 20% in January 2012 to 12% in a year, which is below 9% now. The downward trends of inflation and inter-bank rate are expected to push lending and deposit rates downward in the coming months. The third development centers around the healthy growth in private sector credit which grew

by 17.4% till November 2012, while public sector credit growth was only 5%. Term loans are now less concentrated among large borrowers, with a growing share going to SMEs.

Bangladesh Bank has intensified its efforts on improving the transmission channels of monetary policy by strengthening market mechanisms and a key area of this is to reinforce secondary market trading in government securities. Multiple measures taken to this end include increasing the shorter tenor bonds and bills of higher market demand in the auctions of govt. bills/bonds, launching an electronic trading window on Bangladesh Bank's website for online secondary trading of bills and bonds and instruction for extended roles of other banks in the auctions of bills-bonds together with the primary dealers. Bangladesh Bank is actively in dialogue with Finance Division to reform Insurance Act to enhance the market demand of government bills-bonds and initiate funded pension schemes for all levels of people.

For effective implementation of monetary policy, the role of FIs is important and for this also important is the stability of financial sector. Bangladesh Bank has reinforced its attention in this matter. Recent measures include tightening loan classification and provisioning requirements towards convergence with global best practices; strengthening onsite and offsite supervision through consolidation and restructuring; introducing online supervisory reporting requirements on multiple financial transactions like L/C opening and Inland Bill Purchase etc; launching self-assessment report requirement on internal audit and control of a bank signed by its CEO and chairman of the audit committee in the board to be submitted quarterly to prevent fraud and fraudulent activities etc. Bangladesh Bank has strengthened its surveillance on the appropriateness, adequacy, transparency and timeliness of financial and other reporting from the banks and FIs. BB will also commence a special diagnostic audit of four State- Owned Banks (SOBs) in early 2013 and will start publishing a set of quarterly performance indicators on these banks.

The financial inclusion activities of Bangladesh Bank remain active to ensure that private sector credit is utilized for all productive ventures including SMEs consistent with inclusive growth strategy. BB has been active in cooperation with BSEC to stabilize and stimulate the capital market of the country.

The H2FY13 monetary policy stance is designed to ensure that the credit envelope is sufficient for productive investments to support the attainment of the government's FY13 real GDP growth target while keeping it consistent with the targeted 7.5% average inflation rate for FY13. In view of the downside risks of output growth due to sluggish growth of global economy, BB will reduce all repo rates by 50 basis points effective immediately. BB has also revised its monetary program to increase the upper bound of private sector credit growth to 18.5% from 18.0%; with an increase of broad money growth target to 17.7% compared to the H1FY13 MPS target of 16.5%. BB has created this space in its monetary program to ensure sufficient credit flow for productive purposes in H2FY13 to attain targeted output growth. At the same time BB remains committed to bringing inflation down further, and also to avoiding asset price bubbles, and as such continues to encourage banks to use the space for private sector growth for productive, and not speculative, purposes. This 'balanced' monetary policy stance will also aim at minimizing excessive volatility of the exchange rate. These objectives involve multiple trade-offs based on which BB will continue to review and take corrective actions regularly.

Monetary Policy Statement for the First Half (H1) of FY 2013

Like in other central banks, the first goal of monetary policy statement (MPS) of Bangladesh Bank is to contain inflation at a moderate level so that macroeconomic stability is maintained. Apart from this, to support the attainment of the government's inclusive economic growth target is also one of the main objectives of MPS. BB formulates the MPS considering these two responsibilities factoring into present global and domestic macroeconomic conditions and outlook. For this, we consulted with concerned stakeholders and received comments as before. Let me present the Monetary Policy Statement (MPS) and monetary policy stance for H1FY13 (July-December 2012).

The average GDP growth of this country was 5% during the past 25 years. In the last decade it rose to 6%. Macroeconomic stability was the base for upward growth trend whereas moderate level of inflation ensured that stability. We also know that from mid 2011 average inflation mounted to embarrassing double digit figure. Lingering of it would invite distress for lower income people along with threatening the growth prospects. For this reason, our monetary policy stance was active from the FY12 to pull down inflation and we have started getting success. BB will continue to maintain restrained position like previous FY in order to keep up the pace of success.

Let's explain why we are in favor of this policy stance. In FY11 and FY12 the global economy fell into recession as an aftermath of 2009 global financial crisis. BB eased monetary policy in order to limit the impact of the crisis on Bangladesh economy. Some more active measures were taken; our economy emerged largely unscathed from this global crisis averaging over 6% growth during FY09 to FY11. In FY12 the economy faced a different set of challenges related to rising inflation and balance of payments pressures. To address these challenges BB took restrained monetary stance. Supply of money and credit was moderate but we remained vigilant so that this could not hamper our desired growth. Without being very complacent, we surely can claim that our measures were effective. As per primary estimate, our economy achieved 6.3% growth; point-to-point inflation finally fell to a comfortable single digit which was 8.56% in June 2012 against 10.17% in June 2011.

In a way, the FY12 was a 'year of two contradictory halves'. The first half (H1FY12) witnessed significant balance of payments pressures due to high global oil prices and low aid disbursements, forcing significant depreciation of the Taka and depletion of some FX reserve. Government's borrowing from the banking sector also rose sharply during this period and inflation rose to double-digit level. In this perspective, we adopted more restrained monetary policy, discouraged unnecessary import demand and took steps to secure alternative sources of external financing. As a result we started getting results in the H2FY12. External sector pressure started subsiding; government borrowing from the banking sector was also diminishing in the H2FY12 and amounted to around Taka 220 billion, far below than that of the revised budget figure of Taka 290 billion. Thus the restrained monetary stance taken in last January changed the course in the second half of the fiscal year. In this case, lower borrowing by the government, bumper domestic crops and moderate global commodity prices played a very supportive role and eventually contributed to decrease of point-to-point inflation to a single digit at the end of last FY. The Taka/USD exchange rate stabilized and FX reserve also rose by a significant amount.

Just like the pace of globalization, the contribution of external sector in our domestic output is increasing. Adequate and secure FX reserve needs to be ensured to maintain this flow. It rose to USD10.3 billion in June 2012 from USD 9.4 billion in January 2012 which is equivalent to 3 months' import cover. The Monetary stance of Bangladesh Bank does and will remain active in the efforts of raising FX reserve for attracting extended foreign investment and this effort will continue in the future too.

In 2012, global growth is expected to be 2.5% while the average for developing countries is projected at 5.3%. In this uncertain global context, the provisional estimate of 6.3% GDP growth for Bangladesh in FY12 is impressive, despite being lower than the FY12 Budget target of 7%. Industrial growth in FY12 was higher than that of FY11 suggesting that the restrained monetary stance in FY12 had little or no adverse impact on overall growth. Imports of capital machinery and industrial raw material registered a double-digit growth during this period.

Global growth prospects remain mixed; economic growth in the oriental developing countries remains moderately vibrant but the United States is showing a feeble signs of recovery. Many countries of Europe are

affected with unfolding sovereign debt crisis. The economic growth of two large emerging economies like India and China also slows down. The weak and uncertain global growth prospects put pressure on the exports of our goods and manpower threatening to achieve our national growth target too.

Let's make an evaluation on how far the strategy of monetary policy taken in last January has been effective. Broad money growth (M2), on a year-on-year basis, was an estimated 17.2% and growth of Net Internal Resources was 20.1%, compared to the targets set in the January MPS at 17% and 21.9% respectively. This stance was achieved through (1) active liquidity management (2) raising repo rates by 100 basis points in FY12 (3) tightening consumer credit through rational persuasion (4) lifting all but two rate caps for export and agriculture. Even then, private sector credit growth was a healthy 18.5%, which was higher than the target of recently expired MPS by 2.5% and also higher than the 'emerging Asia' regional average of 15%. An analysis of the outstanding loans to the private sector indicates an increasing share of SME loans and a virtually unchanged share of industrial term loans in total outstanding credit. Moreover, inflow of foreign loans by private sector was nearly one billion US dollars in FY12; inter-bank call money rate was downward from last June indicating the decline of liquidity demand pressure.

Point-to-point inflation declined from a peak of 11.97% in September to 8.56% in June 2012 largely due to lower food price inflation though of late non-food inflation has also declined, from a peak of 13.96% in March to 11.72% in June. While these recent trends are positive, average annual inflation remains 10.6% and it is important to bring inflation down further to meet the 7.5% target set out in the FY13 Budget. As such containing inflation will remain a core focus of the monetary program. Our MPS has continued to support moderating credit demand as well as expanding the supply of credit to face this challenge. In line with this, limiting credit extension in unproductive activities will be continued while adequate credit disbursement for agriculture and productive small and medium enterprises will be encouraged. BB's monetary program for FY13 aims to contain reserve money growth to 14.5%, broad money growth to 16% and growth of private sector credit to 18.3% by December 2012 and at the end of the FY13 (June 2013), reserve money growth, broad money growth and growth of private sector credit will be 13.8%, 16.5% and 18%

respectively. It is expected that it will be adequate to attain the estimated growth of FY13 Budget.

In order to strengthening the financial sector, new loan classification and provisioning guidelines have been introduced. Banks will have to implement these by December 2012. While these may make a one-off difference to bank profitability, they will not affect overall liquidity and access to credit. To ease the liquidity pressure on Primary Dealers in the auction of government securities, BB will declare some steps very soon. Interest rate spreads have come down from 5.58% to 5.45%. BB will continue to put pressure on the banks on this issue, especially on the banks whose current spreads are too high.

This monetary policy stance also aims to maintain country's prevailing external sector stability. BB will be alert to maintain a comfortable FX reserve and overall balance of payments at the end of the FY. But due to slow growth of world trade, our projection for FX reserve has been kept reasonable. BB will continue to support a market-based exchange rate while seeking to avoid excessive FX rate volatility.

Monetary Policy Statement for the Second Half (H2) of FY 2012

This issue of the Bangladesh Bank (BB) half yearly Monetary Policy Statement (MPS) outlines the monetary policy stance that BB will pursue in H2FY12 (January-June 2012), based on an assessment of global and domestic macroeconomic conditions and outlook. This ex-ante announcement of the monetary policy stance is intended to anchor inflationary expectations and provide households and firms sufficient information to plan their savings and investment decisions. This MPS was preceded by productive consultations with a range of key stakeholders including the Parliamentary Standing Committee on the Economy and comments were solicited and received through the BB website.

In FY10 and FY11 the global economy was reeling from the effects of the 2009 global financial crisis and in order to limit the impact on the Bangladesh economy, BB eased monetary policy. As a consequence of this stance, and other proactive measures, the economy of Bangladesh emerged largely unscathed from this global crisis, averaging over 6% growth between FY2009 and FY2011. In FY12 the economy faces a different set of challenges related to both global and domestic factors and as such BB's monetary stance has been adjusted accordingly while keeping in mind the key goals of BB - inflation management and supporting equitable growth.

Global growth prospects in 2012 remain highly uncertain in key trading partner countries, particularly in Europe due to the unfolding sovereign debt crisis in several countries and the increasing related risk of a global recession. The United States is showing fledgling signs of recovery but overall the growth prospects for 2012 in advanced economies remain weak and there have also been downward growth adjustments for developing countries (from 6% in 2011 to 5.4% in 2012) including India and China. Global commodity prices remain volatile. Current oil prices are close to the 2011 peak. While overall global food prices have been on a downward path over the past six months, the benchmark international (Thai) rice price rose by 30% during May - November 2011.

Domestic growth was projected at 7% in the FY12 Budget assuming stable domestic and global economic conditions. Data for the first half of FY 12 on agricultural output as well as indicators of industrial and service sector performance suggest that if there is no change in the global environment this growth rate could be achieved. However due to the probable sloth global economic conditions in recent months, Bangladesh's export and remittance growth may slow down. Moreover, weak aid inflows and moderating credit growth will limit aggregate demand. As such BB is projecting domestic growth in the range of 6.5-7.0% in FY12, which is a bit lower than prior expectation.

Inflation, averaging 10.7% in December 2011, is higher than the 7.5% average projected in the FY12 Budget speech. This is due to a number of factors including the lagged transmission of higher global food prices, high domestic credit growth in FY11 and recent upward adjustments in energy and petroleum prices. In recent months overall (point to point) inflation has declined from a peak of 11.97% in September to 10.63% in December. However the fact that non-food inflation is still steadily increasing - partly due to energy and petroleum price adjustments - suggests that the focus on curbing inflation to single digit levels needs to continue.

The external sector poses a rising challenge and addressing this is an integral part of Bangladesh Bank's monetary stance as strong external buffers are essential for sustainable growth. Import growth continues to outpace export growth and this gap in the current account balance cannot be fully met by remittance inflows. The capital account has worsened significantly partly due to very low aid inflows. As a result of these pressures, the Taka/US dollar exchange rate has depreciated by about 15% in the twelve months leading to mid January 2012 and FX reserves have also fallen from USD10.1 billion to USD 9.2 billion during this period. Facing similar pressures, the Indian rupee has depreciated by 19% in 2011. In light of the global slowdown, it is important for the taka to adjust to reflect market conditions and maintain external competitiveness. At the same time recent trends suggest that the pressure on foreign reserves will ease in the coming months.

A key indicator - new Letter of Credit (LC) openings - has fallen by 8% in January 2012 relative to a year ago. A more restrained domestic credit

environment is expected to limit import growth further, while the more depreciated exchange rate will support export and remittance growth. As such we expect that new external sector equilibrium will be reached soon.

The fiscal stance is supportive of the government's growth strategy but the sharp decline in foreign aid, a rising subsidy bill and downward trend of non-bank borrowing, has led to rapid growth of borrowing from the banking sector, including BB. The current level of borrowing from the banking system is higher than what was expected when the FY12 was prepared. Despite this, monetary targets for FY12 are on track establishing the credibility of the stance taken in the previous Monetary Policy Statement. In November 2011, reserve money growth and broad money growth (M2), on a year-on-year basis, were 15.4% and 17.7% respectively, well below the 16% and 18.5% targets set out in the July MPS. This stance was achieved through active liquidity management (repo and reverse repo operations) which ensured positive real interest rates in the money market, raising repo rates by 100 basis points in FY12 and lifting all rate caps other than agriculture and pre-shipment export credit. This stance has still left room for adequate private sector credit growth (year on year growth of 18% in December 2011).

The monetary stance in H2 FY12 will take these recent economic developments into account and pursue a restrained monetary growth path in order to curb inflationary and external sector pressures, while ensuring adequate private sector credit to stimulate inclusive growth. This stance, which aims to bring inflation to single digits and stem foreign reserve depletion, is being closely coordinated with the Ministry of Finance as a prudent fiscal stance is essential for achieving these objectives. To ensure that government borrowing from the banking system does not crowd out available liquidity for commercial banks will remain a key area of focus for BB. Specifically we aim to contain reserve money growth to 12.2% and broad money growth to 17.0% by June 2012. Credit to the private sector is envisaged to remain at a healthy 16.0% well in line with growth targets and similar to other countries in the region - however this private sector credit growth rate could rise if government borrowing from the banking system is less than anticipated. Positive real interest rates will strengthen monetary transmission channels, help curb non-essential imports, stabilize FX reserve and lead

to an equilibrium exchange rate. At the same time, interest rate spreads will be closely monitored, and apart from specific sectors such as SME and consumer lending, BB has advised banks to keep these in lower single digits (below five percent). We hope that as a result of these initiatives, the main challenge of proper controlling of inflation and keeping the desired inclusive growth rate will be achieved.

Program on 'Towards Poverty Free Digital Bangladesh: Initiatives of Bangladesh Bank'

Let me begin with our deepest condolences for the deceased and our deepest sympathies for those injured in the disastrous collapse of a building housing a number of garments manufacturing factories at Savar on 24 April, 2013. I must also express our deepest appreciation and gratitude for the round the clock untiring rescue efforts of relevant government agencies together with the volunteers from all walks of life, led by our Army and monitored by the honorable Prime Minister herself. I believe the nation will forever remember with gratitude their unrelenting intrepid humane rescue efforts as a shining example. Greed driven criminal disregard of safety regulations of those causing this kind of irreparable loss to our crucially important apparels sector is wholly unacceptable. I am confident that the government, Bangladesh Bank, financing banks and other stakeholders will come forward collectively in doing everything necessary towards upgrading governance and compliance in this sector to global best practice standards. We have seen media reports of the tightened watchfulness of the authorities about not letting anybody responsible go scot free, and of some of those already being nabbed, guided by directives of the honorable Prime Minister. Honorable Law Minister has indicated readiness for tightening of legal provisions, if needed, to ensure the severest penalties for those responsible. Formation of crisis management teams for continuous compliance monitoring and up gradation of preventive and rapid response capabilities of preventive against future disasters now merit serious consideration. Fast adoption of proactive initiatives along such lines will help restore the climate of confidence on this sector, addressing the concerns voiced by various quarters at home and abroad, and preserving the reputation of Bangladesh's disaster management capabilities.

*Program on 'Towards Poverty Free Digital Bangladesh: Initiatives of Bangladesh Bank' on 27 April 2013 at Bangabondhu International Convention Centre, Dhaka.

It would perhaps be relevant to dwell briefly on the context of today's presentation event. It is four years now since the government appointed me as Bangladesh Bank Governor, and I am especially grateful to honorable Prime Minister and honorable Finance Minister for the confidence they reposed on me in this major responsibility. From the very inception in my capacity as Governor I opted to utilize Bangladesh Bank's authority and capacities in strongly supporting the government's efforts of realizing the vision of poverty free Digital Bangladesh, besides carrying out the core central banking tasks of maintaining price stability and safeguarding financial sector stability. Accordingly we initiated a sustained comprehensive campaign for reaching out to all population segments of the society with financial services and environmentally responsible financing for their employment and income generating productive initiatives; in the spirit of the environmentally sustainable inclusive growth strategy of the government's Five Year and Perspective Plans. From early on in the campaign engaging all banks and financial institutions, state owned and private, local and foreign, we focused thrust on building up a supportive modern financial sector IT infrastructure; rapidly upgrading and installing necessary systems and facilities both in Bangladesh Bank and in the broader financial sector. I wish to take this opportunity of thanking our development partners supporting with financial and technical assistance in building up our infrastructures and I hope they will continue their cooperation and support our future endeavours. Thanks to concerted efforts of all concerned, we are now witnessing spectacular advancement in this area. We also focused early on Bangladesh Bank's guidance on our financial sector's mainstreaming of Corporate Social Responsibility (CSR) in institutional ethos, to sustain their motivation for spontaneous engagement in forward looking financial inclusion and green banking initiatives bearing promise of future rather than immediate returns. As result institutionalization of CSR is getting lastingly ingrained throughout the entire financial sector. This urge of social responsibility has led us to arrange utilization of ambulance, hospitals and medical facilities run by Bangladesh Bank and other banks to send medical teams to the building collapse disaster site in Savar for immediate medical care of the injured. We shall also be using the CSR initiatives of the banking sectors in assisting organizations responsible for rescue and salvage operations with necessary equipments and other resources. I wish to assure the honorable Finance Minister of the willingness of Bangladesh Bank and

the entire financial sector in the spirit of our corporate social responsibility in extending supporting hand to the families of the deceased and to those suffering injuries in this disaster. We shall welcome guidance of the honorable Prime Minister and Finance Minister on how best to go about it.

Our developmental initiatives over the past four years have maintained continuity of ongoing earlier programs initiated by my predecessors; we engaged the talents and expertise of Bangladesh Bank's manpower pool towards adding new dimensions and further momentum to the ongoing efforts. In an Executive Retreat held early on, senior management members of Bangladesh Bank after in-depth deliberations on how best to align the Bank's medium term policies and action plans with the government's medium and longer term development visions and perspectives, came out with a new Five year Strategic Plan outlining Bangladesh Bank's medium term vision, mission and action plans. Subsequent annual retreats have reviewed implementation progress and where necessary chalked up revisions of action programs for the years ahead. Positive, forward looking attitude thus instilled in psyche of Bangladesh Bank employees is in turn gradually spilling over into the broader financial sector.

Bangladesh Bank's developmental initiatives have already started yielding positive results, fueling enthusiasm for speeding these up faster forward. More than thirteen million new bank accounts opened for the underprivileged poor including landless sharecroppers, fast expanding mobile phone banking already with almost five million active accounts, agricultural credit for several hundreds of thousands of tenant farmers, affordable financing lines for SMEs and environmentally benign projects are collectively making significant contribution in hastening poverty reduction by generating new employment, output and income. Output activities thus supported are in turn helping underpin price stability and macroeconomic stability. Despite prevailing sluggishness in the global economy our commodity and manpower exports remain on growth trend. GDP growth remains healthy; rising foreign exchange reserves are approaching hitherto unprecedented heights nearing fifteen billion USD. Digitization in Bangladesh Bank and the broader financial sector including automated online interbank clearing and settlement has

hugely helped speeding up progress in financial inclusion. Besides improving the lots of people of small means the financial inclusion initiatives are also expanding customer bases and deposit pools of the lending banks and financial institutions, bolstering institutional and systemic stability in the financial sector. Our monetary policies have started yielding the intended outcomes; inflation has been in declining path throughout the fiscal year, already in single digit. Interest rates and the intermediation spreads have also started coming down.

Our presentations will offer you glimpses of our various developmental initiatives and the progress attained thus far. The presentation is intended to broaden public awareness about our initiatives and to obtain comments and observations thereon from different quarters through our website and other communication channels. The feedbacks received will motivate and help us in further improving and accelerating our developmental initiatives. We also hope that this will widen our dialogues with other public and private sector institutions and organizations exchanging experiences and ideas about each other's developmental undertakings. This way it will facilitate our uniting together in collective thrust towards faster realization of our national aspiration for a poverty-free Digital Bangladesh.

In today's presentation event on developmental initiatives I would like to add brief remarks on the issue of coping with pressures on real and financial sector stability arising from various circumstances including the ongoing political unrest. We are grateful for the government's steps of legal empowerment of Bangladesh Bank in dealing with governance weaknesses of state owned bank CEOs. Government's oversight on role of state owned bank board directors in ensuring effective internal controls, good corporate governance and accountability has also been sharpened; continuation of this trend would be desirable. Hartals and associated violences are disrupting normal flows of economic activities, affecting cash flows and timely loan repayment ability of businesses. The Savar disaster will undeniably add to these adverse pressures, as already indicated by Honorable Finance Minister. Bangladesh Bank is maintaining contact with both the real sector borrowers and financial sector lenders about coping with these challenges, extending such relief on case by case basis as necessary and feasible. We also have taken

various supportive policy measures for the capital market. A Regulatory Coordination Council has been formed and activated for regular consultation and better coordination among the regulatory authorities.

The next item in today's agenda is an audio-visual documentary on Bangladesh Bank's developmental initiatives over the past four years. I would like to conclude here, voicing my hope that the audiovisual documentary will not disappoint you. My sincere thanks and deep gratitude once again to honorable Finance Minister, other honorable Ministers and every other distinguished guest for sparing your precious time to attend this event. My prayers for the souls of the deceased in the tragic Savar disaster.

Banking Supervision*

I would like to welcome you all heartily to the Bangladesh Bank Regional Town Hall Meeting in Khulna. This is the fourth and last in this series of Town Hall Meetings for staffs engaged in banking supervision. This type of meeting started more than a year ago in Dhaka. We have also been in our other offices at divisional headquarters with programs that change a bit every time depending on the relevant issues of the day. Today's overall theme is "Financial Integrity: Managing Operational Risks and Avoiding Serious Losses at the Branch Level". So this theme of today's town hall meeting is chosen in order to focus on the issues to face those institutional and systemic risks involved in bank credit and other business activities as well as to strengthen corporate governance and internal control process of the banks through enhancing effectiveness of Bangladesh Bank (BB) supervision activities.

We have undertaken various reformative and reorganizing actions of the framework of financial sector supervision of BB. By organizing town hall meetings at the head office as well as at the regional level, with a view to energizing and encouraging supervision activity, we have instituted quick inspection and formulation of a review report on activities and various issues of financial statement analysis of the banks, and we have also made two separate departments out of the previous Foreign Exchange Inspection and Vigilance Department. Recently, establishment of an Electronic Dash Board is under process in order to identify the trends that might indicate irregularities and fraudulence based on the data/information of the financial statements of the banks collected by our supervision departments. Proper directions have been given to the banks to submit all information regarding export-import including Inland Bill Purchase (IBP) online to BB, as well as to adopt IT-based system. The IT Department of BB has also undertaken initiatives to prepare suitable software. We have also issued a guideline to submit self appraisal on effectiveness of their adopted internal control system having the signature of Chief Executive Officer and the Chairman of the Audit Committee of Board of Directors on quarterly basis to BB in order to prevent fraud/swindle in the banks.

*Regional Town Hall Meeting on 11 November 2012 at City Inn Hotel, Khulna.

Re-organization of key functions of the inspection and supervision departments of BB is also going on in light of recommendations of a conference held with the participation of the General Managers and Executive Directors of Bangladesh Bank to sharpen the effectiveness of financial sector supervision. Emphasis is also given on special on-site inspection by giving importance to bank activities that have more risks. On-site inspection of the branches is conducted on the basis of probable weaknesses identified through analysis and review of the data/information received by the Department of Off-site Supervision. BB has appointed a commercial bank expert as consultant to strengthen the skill of our inspection and supervision departments in identifying and preventing the trend of fraud/misconduct of the banks. He will find out the limitations after reviewing the functions of the concerned departments of BB and provide recommendations regarding actions to be taken along with training to the BB staff. He will also share some preliminary ideas with you in this regard in today's Town Hall meeting. In addition, Mr. Glenn Tasky, an international expert in bank supervision and our senior consultant Mr. Md. Allah Malik Kazemi will participate in the discussion session and give necessary guidelines after detailed discussion by our Deputy Governors.

In Khulna and Barisal divisions, there are more than 1,200 branches of the scheduled banks, which is 15 percent of the total branches in Bangladesh. Overall, these branches manage about Tk. 200 billion (1USD= approximately 80 BDT) as loans and advances and about Tk. 260 billion as deposits, which represents only 6 percent of the total activity in the banking sector. Although the volume seems to be small, you must keep in mind that these deposits belong to your local community, it is your responsibility to review whether these branches are following the right procedures in protecting customer's interest and whether the major portion of loans are disbursed to local people. By applying your own wisdom and knowledge, you have to verify whether the borrowers on bank's book really exist or not, or whether the bank is trying to hide its illegal activities. Lack of attention from the head office due to fewer transactions and geographical distance, few face-to-face meetings between branch managers and executive management of Dhaka and other factors may expose these branches to a risk of internal and external fraud-forgery. Thus, we have to keep vigilant eye on it.

You must hold the banks responsible of a serious violation of the rules if they don't preserve original documents of a loan. To hide information in

documents/file for unfair intention, not to preserve necessary documents indicate red signal of possible fraud-forgery, internal irregularities or mismanagement in credit procedures i.e. financial manipulation. Electronic copies instead of original documents of loan are not acceptable. This is because there is no guarantee that the electronic copies are exactly the same as the originals or that the originals have all the required disclosures and signatures and additionally, the bank's computer may not track the documents of the newly opened file. If the particular employee is selected by the branch manager who remains frequently absent, you must ask him to submit the documents within a reasonable time.

As we proceed with today's program, you will know about what is taking place in the banking sector as a whole and you will hear about some of the initiatives that have been undertaken to improve the banking supervision. I would like to emphasize that you will observe a lot of changes in on-site inspection to transform our banking sector into an efficient and effective model system. Recently, some policies and guidelines have been issued, few of them are completely new and the rest are amended.

Although fraudulence in the financial sector is absolutely undesirable, these are not totally preventable; the instance of such occurrence in developed countries is not also unusual. But supervision activities of BB in corporate governance, internal audit and internal controls, and external audit - the main lines of defense against fraud and supervision of the banks in lowering the risk of these incidences must be strict in order to discourage repetition of such fraudulence. Under this circumstance, I want to say that stronger monitoring initiatives over banking sector should be undertaken in a comfortable macroeconomic condition rather than an alarming one.

Even in the backdrop of ongoing global economic slowdown in the aftermath of the global financial crisis, the banking sector of Bangladesh stands in a sound position. Although banks are obligated to maintain a minimum capital of 10% of the total risk weighted assets according to the Basel-II accord on capital adequacy, they have been able to maintain capital at higher ratio (11.31%). The percentage of gross classified loans in banking sector now sets at 7.17% but it is only 2% on net basis. The inconsistency between the growth of deposits and loans observed last year is now almost eradicated with deposit and lending growth rates at

20.33 and 18.52 percent respectively. Advances-deposits ratio (ADR) now stands at 78.91 percent. Results of the latest round of stress testing are reassuring; the banking system remains at a moderate level of resilience. Attention of BB's monetary and credit policies towards adequacy of financing flows to productive sectors resulted in private sector getting healthy credit growth of 19.9 percent up to August 2012, higher than the 19.2 percent public sector credit growth; with satisfactory growth in credit flows to agriculture and SMEs. Alongside these, inflation has been turned around to declining trend, with point to point CPI inflation already back in single digit, facilitating faster stabilization of market interest rate at moderate levels. In October 2012, our FX reserve has exceeded USD 12 billion for the first time. BB's various types of incentives and publicity as well as stable price of Taka contributes to this success. Now liquidity and exchange rate in Inter-bank money market and FX market also are quite stable.

At the end, I wish to give heartfelt thanks to the organizers for arranging such a wonderful program today. I hope that you will know from their valuable and thoughtful discussion how to develop our supervision as more effective and how can we maintain financial stability. I also expect your sincerity and professionalism in performing your duty of supervision. I would like to end my speech wishing the all out success of today's regional town hall meeting.

Of Financial Sector Supervision*

First of all, let me extend a warm welcome to you all at this GM Conference organized on intensification of the effectiveness of financial sector supervision today. Along with banks' own corporate management, internal audit and control, the application and effectiveness of monitoring and follow-up activities of the central bank, is now one of the burning questions when an irregular loan of comparatively small amount, identified in Bangladesh Bank's inspection in 2010 at a small branch of Sonali Bank, turned into a huge fraud. You know that Bangladesh bank has taken diversified initiatives to reform supervision structure. Under these programs, supervision town hall conferences have been arranged at head office and regional levels to motivate and inspire the supervision related officials, quick inspection and quick review reports on the activities and financial statements of banks are formulated by supervision departments, Foreign Exchange Inspection Department has been separated from Vigilance Department and reorganized. Existing training processes in the country and abroad are strengthened for the betterment of the skills of supervision related officials. Local and foreign specialists are also associated with this great initiative.

The recent incident of Sonali Bank indicates the urgent requirement of reinforcing our monitoring on banks' own audit and internal control system together with the necessity of strengthening effectiveness of following up the corrective measures for the identified irregularities. At the same time, the issue of audit of the bank branches by suitable audit firms is discussed again. Already some steps have been taken urgently. An Electronic Dash Board to identify the trends that might indicate irregularities and fraudulence from the data/information of the financial statements of the banks collected by our supervision departments and a skilled special Task Force for observing probable irregularities are going to be introduced. Proper directions have been given to the banks to submit all information regarding export-import including Inland Bill

*Governor Rahman's speech at GM Conference-2012 on Intensification of the Effectiveness on 22 September 2012 held at Jahangir Alam Conference Hall of Bangladesh Bank.

Purchase (IBP) online to BB, as well as to adopt IT-based system. The IT Department of BB has also undertaken initiatives to prepare suitable software. It will have to be finished within the next one month. We expect that we will get the benefits from these initiatives very soon.

Our Today's conference is to discuss openly the multifold irregularities detected by our large experienced supervision and inspection manpower working in BB offices, following up process of the irregularities, and what are to be done to strengthen the monitoring activities. After the primary presentation by higher executives, you will be divided into four groups to discuss and exchange views on four issues and then give your own opinions in presence of four groups together at plenary. We have two supervision experts from IMF who will enrich the discussion sessions with their valuable opinions. I expect that in the concluding session, in light of your experience, we will be able to gather some budding ideas and suggestions on supervision issues. We will also be enlightened and motivated on the importance and necessity of enforcement and effectiveness of supervision in financial sector.

At this stage, I want to mention that even in the critical aftermath of global recession, our banking sector and overall index of economy show moderate level of resilience. The overall 11.31 percent capital adequacy is more than the BASEL-II based requirement of 10 percent. At present classified loans in the banking sector is 7.17 percent. Imbalance, detected last year between deposit and lending growth rates, now stands corrected. According to last calculation, deposit and lending growth rates are 20.07% and 19.72% respectively. Advance-deposit ratio (ADR) is now 79.83%. The banks are at a comfortable moderate level of resilience in the recent stress testing. As a consequence of putting special attention in the monetary and credit policies of Bangladesh Bank towards adequate financing in productive sectors like agriculture and SMEs, credit growth in private sector last year was 19.7%, higher than 18.7% in public sector. Along with these, inflation is on the downward trend; point to point CPI inflation already is back to single digit, facilitating faster stabilization of market interest rate at moderate levels. Our FX reserve goes beyond \$11.00 billion despite recent ACU payment. Value of Taka is stable and appreciating. Recently international credit rating organization Moody's has kept Bangladesh's credit rating unchanged at Ba3 with stable outlook. The countries, awarded with the same rating, have per capita income more than five times of Bangladesh; in this consequence to maintain the same rating is, of

course, a sign of excellent financial management. Besides, Moody's also approves that our banking sector is steady and large scale 'event risk' is far away here.

Though the fraudulent activity in Sonali bank has had temporary impact on this soothing picture, the usual daily activities of the particular bank or the banking sector are not hampered. People also don't lose faith on this state-owned bank. On the whole, in the banking sector, liquidity, interest rate and exchange rate of Taka and foreign currencies in local market are entirely stable and normal. Though fraudulent activities in the financial sector are unwanted, they are not fully preventable and neither rare in the developed countries too. But the repetition of these irregularities will be discouraged when Bangladesh Bank's monitoring on banks' own cautiousness and movements to prevent them will be strengthened. We all have to move forward in a well co-ordinated fashion and simultaneously with firmness and agility. Every bank and the central bank have to keep vigilance that none can escape committing such irregularity. Anti-corruption commission and law enforcement agencies will have to be attached with this co-operation network. Government will have to support it.

Before closing, I like to thank the organizing committee for arranging such a beautiful program today and wish the success of today's meeting. Participating general managers have a good day, enjoy the sessions. See you at evening session.

Inauguration of Bangladesh Bank Mymensingh Office*

It's been a long cherished desire of the people of greater Mymensingh to have a branch office of central bank in Mymensingh town for enhancing the economic activities in its six districts. This desire is being materialized today. The tenth branch office of BB officially launches today at the Durgabari road in the Mymensingh town. I am fortunate to participate in such a grand occasion. At this friendly seminar, I would like to convey my cordial greetings to the officials of local administration, teachers and students of Bangladesh Agriculture University, bankers, freedom fighters and valued persons, my seniors-juniors-contemporary friends and dignitaries. We all are busy in our workplaces, with family affairs and personal tasks; even then, joining such a wonderful program together after a long time, we all have become nostalgic.

02. Mymensingh, once largest district and presently the third largest district of the country is enriched with agriculture, industry, education, literature, culture and heritage. For the geographical environmental diversity of this region, there is a proverb 'Haor, Jangal, Moisher shing- e niye Mymensingh' as it has at its north the Garo hill and Meghalaya of India, the river Brahmaputra flowing beside the town and vast plain land extending for a wide range. Ancient folk literature like Mohua-Molua-Chandraboti and Mymensingh Gitika are great assets of this region. Being charmed at the beauty of Brahmaputra, Shilpacharjo Joynul Abedin painted many pictures. The memory of our national poet Kazi Nazrul Islam also is attached with this district. The memento of ancient architectures still remains in many establishments here; there are also broken zamindar palaces as a witness of old times. Mymensingh is known as one of the education cities of Bangladesh. The first Asian Agriculture University stands here. Brave, talented, rebellious people of this region contributed a lot in the liberation war, they led the war too.

03. The financial sector of the country has enhanced and the number of banks and FIs increased with the gradually increasing economy.

*Governor Rahman's speech at the inauguration of Bangladesh Bank Mymensingh Office on 16 January, 2013

Followed by the expansion of industry, trade and agriculture, people's economic activities, transactions and demand for currency has multiplied. held at Shilpacharjo Jaynul Abedin Auditorium, BAU, Mymensingh. To consider these growing demands and activities and ensure its proper movement, Bangladesh Bank initiates constantly new schemes and engages skilled manpower. In spite of these, many of the demands can't be considered and met up by the head office and Motijheel office, situated in the capital Dhaka for manifold reasons. Considering proper and timely accomplishment of multifold tasks of the head office and Motijheel office along with economic, commercial and social importance, it becomes much inevitable to extend Bangladesh Bank's branch after a long time of twenty two years. Before it, the last branch of Bangladesh Bank was established in Rangpur. While searching for suitable place for the new branch of Bangladesh Bank, Mymensingh, inhabited by almost 25 million people and occupying about 13 percent land of the country, is selected as the centre of six districts of greater Mymensingh i.e. Mymensingh, Jamalpur, Kishoreganj, Netrokona, Tangail and Sherpur.

04. In line with the dream enunciated in present government's development projection for poverty alleviation and social development, BB is continuously trying to maintain moderate inflation and macroeconomic stability, ensure development of a larger section of population of the society and implement schemes for attaining inclusive growth. This area, enriched with natural beauty and historical significance, has much prospects for agriculture, agro-based small and cottage industries specially rice-mill, jute goods, handloom and handicrafts, fish processing, poultry, dairy firm, beef fattening, light engineering industry etc. Mymensingh is already reputed for Renu Pona (Juvenile Fish) and fish cultivation. About half of the fishes of the country are cultivated here. Glass industry with the sands of Brahmaputra and ceramic industry with the porcelain of Bijoypur in Netrokona may be developed. Though a large portion of the population of this area is women, the number of women entrepreneurs is very low. But it is very important to include them with the economic development of the country. Making use of these prospects for the socio-economic development of this region, Bangladesh Bank has set up its branch office in Mymensingh. This branch office will represent Bangladesh Bank here. General Manager of this branch will exchange views with business entities, banks, FIs, microcredit institutions and

dignitaries time to time. Bangladesh Agriculture University is continuing researches for agriculture, fish and small machineries for agriculture. Mymensingh office will carry on the affairs like how to relate SME financing with the research work of the university, reach financial services to the underserved people using the linkage of microcredit institutions situated in nooks and corners of this area. The presence of Bangladesh Bank will be successful only when it will be able to play a positive role in extending the economic activities of the six districts of greater Mymensingh. At the same time, I request the local bank branches to play their roles in the development of this region providing timely and hassle free agriculture and SME loans in the potential sectors.

05. There are about 600 branches of commercial banks in greater Mymensingh, which is more than 7 percent of total branches in Bangladesh. Now these branches will be monitored by Mymensingh Office. As a result, monitoring process of Bangladesh Bank will be easy and strong. Besides, I think that overall economic development of this region will be accelerated through proper execution of banking activities like supplying new notes, changing old and mutilated notes, purchase and sales of sanchaypatra and prize-bond, operation of treasury function, running of clearing house etc. Printed new Taka was sent to Dhaka first from the Security Printing Press of Gazipur and then again from Dhaka to Mymensingh. Now it will directly be transferred to and preserved in Mymensingh office, where from the transfer again to Chittagong, Khulna, Barisal, Sylhet, Rajshahi, Rangpur and Bogra will be easier at necessity.

06. In recent years the banking sector of Bangladesh is passing through a significant transformation. Our dream is to alleviate poverty, be included in middle-income countries' list and thus to ensure sustainable, stable and inclusive economic growth; to support the fulfillment of these dreams in recent years Bangladesh Bank has engaged the banks in financing SMEs of lower income people along with bringing the larger population under financial services through CSR based financial inclusion movement, long term socio-economic priority based activities in agriculture, industry and service sectors. I believe that in the light of this new concept of BB, the decision for opening a new branch in Mymensingh is very much timely and rational.

07. In conclusion, I would like to say that this new branch is the result of the well-coordinated initiative of Banking Division under Ministry of Finance, Board of Directors and officials of Bangladesh Bank and overall the development efforts of the government. I am grateful to all of you. Simultaneously, I express my cordial thanks and congratulations to them, who with their knowledge, labor and time, have supported the foundation of Mymensingh branch and arrangement of this friendly seminar. I wish, in future, BB will continue to take time-befitting and effective steps to increase facilities for the people, farmers, small entrepreneurs and businessmen of this region. May all of us lead a happy life.

Of Alternative Energy*

I am very much delighted to be here at this event organized to mark the milestone of establishing thousand bio-gas plants financed by Trust Bank Limited under the refinance scheme of Bangladesh Bank. Obtaining loan at 5% interest rate under refinance scheme, Trust Bank Ltd. has arranged to distribute loan among the micro entrepreneurs through a company or separately. Under the Green Banking Initiatives, Trust Bank started its venture for setting up Bio Gas Plants back in FY 2009-2010 and set its target for thousand Bio Gas Plants by 2012. Though in 2010 they financed only 41 plants, in the subsequent two years Trust Bank concentrated more on this project. So they succeeded to attain the target within pre-determined time. I am really charmed at the bank's sincerity to extend Bio Gas Plants in the remote areas of the country. It is certainly an important initiative to save the environment. This is why, I convey my cordial thanks to the bank authority. I also extend my thanks to the Enterprise Development Company Limited (EDCL), the strategic alliance of Trust Bank Limited, who provided commercial and know-how support to the borrower of the plants.

02. I got to know that the number of plants financed by Trust Bank Ltd. has by now exceeded one thousand, spreading over Gazipur, Savar, Manikganj, Tangail, Rajshahi, Natore, and Sirajganj; amounting to a total of around Taka 300 million. Around one thousand families are benefitted from this project. This green initiative of BB based on 'four cow model' and 'a bio-digester' has been popularized by Trust Bank. Besides bio gas as fuel for cooking and lighting, the plant owners are getting other important by-products from their investments; the slurry from the digesters as useful organic manure, gas alternative of firewood and fuel, and the milk and calves produced by the cows. Other benefits include increased soil fertility, decreasing of deforestation, providing nutrition to the growing children, electricity generation for rural houses and poultry sheds at a lower cost and helping increase of cattle population. At present the plants have almost 3500 cows, 14000 chickens and more than 4000 cubic meter bio-digester. Daily productions of 19000 cubic

*Governor Rahman's speech at the ceremony celebrating Trust Bank's financing to 1000 Bio Gas plant on February 09, 2013 at Radisson Blue Water Garden Hotel, Dhaka.

meter of eco-friendly gas, 25 ton slurry as organic fertilizer, 33000 liter of fresh milk are generated from the bio gas plants. I have also been informed that Trust Bank has targeted the milestone for setting up total 5,000 Bio Gas Plants by the end of 2015. The bank has taken many other initiatives like building bio fertilizer factory using waste of bio-gas plant, managing bio-irrigation with bio-gas and introducing effluent treatment plants (ETP) etc. At the same time, reducing use of paper in the internal management, they have also taken initiatives to start paperless banking. The way the bank management is encouraging environment friendly banking initiatives in its business is very much appreciating. Their today's initiatives will contribute a lot to form a green and livable earth for future generation.

03. Environmental disaster due to climate change effects has emerged as a very important challenge. The GHG (Green House Gas) has increased due to the deforestation and industrialization. World temperature is rising as well. Sea-level is rising due to ice melting; more natural disasters are taking places. This climate change has negative impact on bio-diversity, agriculture, forests, high and fertile lands, water and human health. The whole world has come together to protect the earth from the adverse effects of climate change. In this context, "Green banking" concept has been introduced as an environment friendly system. It is such an innovative initiative through which bio-diversity, environment can be saved from the shock of global warming and pollution and a green earth can be presented for future generation. Main purpose of Green banking is to undertake practices that foster environmentally responsible financing and environmentally sustainable internal processes minimizing GHG emissions. Now it is an internationally accepted idea.

04. Bangladesh is one of the most vulnerable countries to climate change. The environment of Bangladesh is deteriorating as a result of air pollution, water pollution, river filling, canal and marshy area filling, wastes of industries, deforesting, decadence of bio-diversity etc. As a controlling authority of banking system, BB is firmly committed to supporting the international steps and builds an environment-friendly banking system for protecting the environment. BB has already taken various steps to ensure ecological resilience. In line with international practice, to introduce environment friendly banking ideas in banking, BB has formulated 'Environmental Risk Management Guideline' and

'Environmental Banking Policies and Strategic Framework' in 2011 for the banks to follow and is monitoring their compliance. BB has instructed the banks to install solar panel in SME/agriculture branches. In CSR guidelines with other issues, financing and L/C opening for installing ETP in industry are considered as CSR activities. BB has started declaring the names of the top 10 banks regarding their overall performance in green banking activities. Many banks have included green banking in their CSR activities. They are doing the same taking partner organizations with them too.

05. BB has advised the banks to establish solar panel at their head offices as well as other offices to meet the growing demand of electricity. To encourage installation of solar panel, BB not only has advised but it has installed a solar power system on its rooftop of main building also. Another installation of solar panel at BB is in the process. The emergency security lights in the BB premises are powered by solar system. All lights of BB are being transformed in LED lights and in some floors it is already completed. A recent initiative has been taken to convert the 30-storied building of the bank into a 'Green Building' with the modern facilities of rain water preservation, waste water recycling and motion sensor energy efficient bulbs supported by window based solar panels. BB has introduced a Tk. 2 billion revolving fund in FY 2009-10 to provide loans at a low interest rate for setting up solar energy, biogas, effluent treatment plants (ETP) and Hybrid Hoffman Kiln (HHK) so that banks and FIs can finance at lower interest rate to meet the increasing demand of electricity and gas. It is encouraging that some banks have financed reasonably good amount in solar, bio-gas, HHK and ETP projects in recent years. From this fund, BB has refinanced around Tk. 1.09 billion to 27 banks & 1 NBFIs till 31 January 2013. Some commercial banks have already availed and utilized these refinance facilities of BB very sensibly. The 'Shufola', a green product of Trust Bank has been admired for installation of more than thousand bio gas plants country wide. With these plants, bio-gas as well as enough green fertilizer is being generated. Besides, Compost Plant of Dutch-Bangla Bank Limited, 'Nobodoy' of Eastern Bank Limited, 'Green Energy' of Mutual Trust Bank Limited have become popular. Besides, Southeast Bank and Financial express have jointly arranged a 'green award' for SME, women entrepreneurs, corporate and individual/organization who are significantly contributing to preserve the environment. HSBC and the Daily Star are also doing the same. I invite other banks to join this

program. A huge amount of BB's environment friendly refinance fund is still unused. I hope that banks who have not yet obtained this opportunity will come forward with new products in this sector.

06. Considering the adverse effect of climate change and concept of green banking, BB has taken initiatives for 'paperless banking'. It has been facilitating online reporting, e-banking, e-commerce, online CIB, automated clearing house, mobile banking, National Payments Switch, e-tendering, e-recruitment, etc. Banks have also issued policies allocating fund in favor of environment friendly banking initiatives with the approval from their board of directors. Time has come to take right measures to protect our environment and turn our country into a better living place for the next generation. The banking sector can play a pivotal role in green transformation and for this reason Bangladesh Bank has already asked all the banks to promote green banking. Trust Bank has proved its proficiency by selecting a sub sector. I mentioned our role in promoting green banking, especially the success story of Trust Bank in related meetings of Rio+10 and COP events and it was received warmly. I hope that other banks will participate at this. We can also think to set target for the banks to undertake green banking as we did in case of agriculture and SME.

07. Finally, I would like to thank Trust Bank once again for organizing such a timely and exceptional event. I believe, this success story certainly will encourage other banks and entrepreneurs to come forward to contribute more in new green initiatives with their innovative ideas.

FX Transactions Monitoring*

At the very outset of my speech I congratulate the overwhelming mass upsurge of the youths at Shahbagh upholding ecstasy of the youth, technology based social networking and intense patriotism. These young people want to solidify our independence achieved through much sacrifice, endurance, labor, tears and bloodshed of our predecessors. Their noble, firm and proud steps shall remain as a unique source of inspiration for all of us. The whole world beheld this up rise of enthusiastic youth with a bewildering surprise. I am sure, our society and administration will find compelling influence of this uprising. I believe this will lead to further strengthening culture of transparent and accountable good governance. Our banking sector is not also outside this change. The same sort of transformation is taking place in the banking sector also. The pace of Change associated with technology has been accelerated under the supervision of banking sector.

2. The country that made its footstep forty-one years ago with a war ravaged infrastructure is now being termed by the whole world as a country of rising economy. With the sustainable growth of economy, financial sector has expanded manifold in the post liberation era. Mentioning only one indicator of the banking sector is adequate to postulate wonderful growth achieved so far. In December 1972 total credit and investment in the banking sector was Tk. 7.07 billion which is now Tk. 5,328 billion, more than 754 fold. We expect this growth in banking sector along with economic growth will continue to pervade in the upcoming days.

3. We want to build a technology oriented safe banking system. To digitize the banking system of the country fully in light with the dream of the Government to build a 'Digital Bangladesh' shaping the desire of the youth to 'Change the Day' Bangladesh Bank is taking the banking system towards a paperless banking world through Networking, Enterprise Resource planning, Banking Application, Enterprise Data Warehouse, Intranet implementation, Online banking, Online reporting, Online CIB,

*Governor Rahman's speech at the inaugural ceremony of dashboard on FX Transactions Monitoring on 12 February 2013 at Jahangir Alam Conference Hall, Bangladesh Bank.

Automated payment system, Mobile banking, Internet banking, E-commerce, National Payment Switch and lastly through the introduction of this electronic Dashboard for FX transactions monitoring. Like the indomitable youth demonstrating at Shahbagh, self motivated young officials of Bangladesh Bank have put ceaseless efforts to introduce this Electronic Dashboard; we have gathered here to inaugurate this today.

4. This online electronic supervision Dashboard is one of our time befitting steps towards identifying probable fraud and irregularities using data and inputs from financial statements of the banks and from our supervision related departments. Due to this Board, FX transactions monitoring will be more effective through coordination between Onsite and Offsite supervision. From now on onsite inspectors will be able to conduct specific inspection activities in the bank branches obtaining data from these systems before going for inspection. Besides, through Dashboard and related software Bangladesh Bank will be able to know instantly in case of Import L/C, Back to back L/C, Local L/C, Local Bill Purchase, and in case of export, amount of export, repatriation of export proceeds, Outstanding and Overdue Export Bill and all types of FX transactions including Inward Outward Remittance. Not only that the Central Bank will be able to conduct monitoring and supervision activities more closely and effectively, each and every bank will also be able to monitor and supervise their branches. As a result, reporting will be easier, time and money will be saved. Awareness will be increased and foreign currency reserve will increase due to policy and regulation compliant transactions.

5. The aim of Bangladesh Bank is to make all kinds of reporting online. It will move Bangladesh Bank one step forward towards Green banking. It will be possible to make import-export procedure much easier due to online connectivity of Bangladesh Bank with Customs house and other Government organizations related to import and export. Bangladesh Bank and National Board of Revenue have already taken initiatives in this regard.

6. I would also like to mention that very soon we will formally introduce Enterprise Data Warehouse (EDW) as the central information storage of Bangladesh Bank. This Data Warehouse will contain all economic and supervision related data and information. With the data derived from EDW and other sources, our on site and off site supervision departments

will be able to monitor financial indicators of the Banks in the head office and branch levels and thereby take appropriate steps when necessary.

Finally, congratulating all involved in the production and implementation of the Dashboard and reporting software and welcoming and thanking all present here I declare the auspicious inauguration of the Dashboard on Monitoring of FX Transactions.

Four Decades of Bangladesh: A new beginning of our economy*

16 December 1971. Bangladesh emerged on the world map as an independent and sovereign country through a nine-month bloody war of independence. We can never forget the blood-stained War of Independence of three million lives and sacrifices of numerous others as we celebrate this great victory. Today, I remember those freedom fighters, with deep respect, who sacrificed their lives for our independence. I also pay homage to our great leader and father of the nation Bangabandhu Sheikh Mujibur Rahman, whose visionary leadership inspired us to achieve our long-cherished dream of an independent nation-state.

Liberation war was fundamentally a people's war, a war of countless unknown martyrs, a war of aspirations and dreams to achieve freedom from poverty and hunger. Four decades have gone by since our independence in 1971. It's not a long span of time in the history of a nation, in fact, less than one generation. It's not insignificant either for a nation's economic growth and national development. Bangladesh economy during this period has tasted both commendable successes and painful failures. In this backdrop, I would like to make an attempt to present before you a review of our economic achievements against expectations in my lecture on 'Four decades of Bangladesh: a new beginning of our economy'.

I have given this lecture at a time significant for the nation. Its significance has been amplified when the spirit of liberation war is rekindled in the youth with the Shahbagh movement. This is an opportune moment to reflect on our dynamic economy resulting from our concerted effort and to renew our commitment to build a prosperous Bangladesh.

There were dreams and expectations running deep behind the emergence of Bangladesh: dreams of freedom from economic and social exploitation, democratic rights and self-reliance. It should be kept in

*Governor Rahman's lecture on 22 March 2013 at Liberation War Museum

mind that the paramount driver for establishing an independent country was a desperate desire for economic freedom although the emergence of Bangladesh was orchestrated under political decision and leadership. The agitation for independence got momentum due to an extreme socioeconomic discrimination prevailing between the two parts of erstwhile Pakistan. A shared sense of economic deprivation among the Bengalis played as a driving force behind all movements during fifties and sixties amid strong socio-economic perspective of language movement.

However, the very nature of economic discrimination started to surface to the people from sixties. The real picture of discrimination was pointed out by a few patriotic Bengali economists in their researches and analyses at that time. They revealed that the lion share of national budget used to be allocated for the then West Pakistan although the eastern part was larger in terms of population. The revenue collected from the then East Pakistan was higher than that of its budget allocation. West Pakistan used to enjoy allocation of most of the foreign aid. The export earnings from agricultural items (mostly jute and tea) produced in the East Pakistan was spent mostly for the development of the West Pakistan.

An election poster for 1970 general election depicted a terrible picture of the economic deprivation and disparity. The annual revenue expenditure for West Pakistan was more than three times higher than that of East Pakistan. The prices of essential commodities like rice, wheat and oil were double in East Pakistan compared to those of West. West Pakistanis occupied about 90% of central government and military jobs. Not only the economic exploitation, the then Pakistani government and junta committed aggression against Bengali culture and heritage. The accumulated discrimination and exploitation gradually turned into a movement for establishing democratic rights; which was eventually reflected through the armed liberation war in 1971 with successful completion. Bangabandhu Sheikh Mujibur Rahman, the dearest leader of Bengalis, presented the historic six-point demands to protest those exploitations. The aggrieved Bengalis starkly responded to those oppressions by West Pakistan through their mandates in the general election of 1970. The Awami League under the leadership of Bangabandhu got absolute majority in the election. Despite that, the then army junta of Pakistan was not agreeable to hand over power to the

winning party. As a result, non-cooperation movement was observed throughout March 1971 under the leadership of Bangabandhu. The principal message of 7th March (1971) speech given by Bangabandhu was also gaining freedom from all sorts of exploitation. The concern for economic freedom was clearly resonated in that historic speech. The liberation war broke out from the early hours of 26 March 1971.

With a land measuring 56,000 sq miles, Bangladesh began its journey as an independent nation endowed with positives and negatives. The brighter side reflects the strong desire of the people to gain economic, political and cultural freedom. The dream of people was to position Bangladesh on the world map as poverty free, dynamic and liberal democratic country by eradicating social discrimination and establishing social justice. The biggest negative was we had to inherit a fragile economy. Lacking in funds, infrastructure and skilled manpower, Bangladesh hardly had any means to fight poverty. We were branded to outside world as a poor country weight down by natural calamities, famine and starvation and a devastated economy. The ports, transport system and industries were all damaged during the war. The export basket was limited to jute and tea only. There was no remittance, nor any mentionable foreign exchange reserve. And no membership in IMF.

Many experts were frustrated at the post-liberation fragile socio-economic conditions of the country; some of them were also skeptical about the chance of sustenance of the country. Former US Secretary of State Henry Kissinger dubbed Bangladesh as a 'bottomless basket' dependent on foreign aid. Norwegian economist Faland and British economist Parkinson termed Bangladesh as a 'Test case for Development'. In 1976, they wrote a book titled 'Bangladesh: a test case for development' where they opined that if Bangladesh can succeed in economic development in such a condition then any country of the world can develop too.

The economist duo had to reverse their views to some extent on Bangladesh in 2007 and said that 'a sustainable development in Bangladesh is possible as evident from her limited but significant progress in the economy made during three decades or more'. It implies that the people who were otherwise pessimistic about economic prospect of Bangladesh are now recognizing it as an emerging economy. The impressive development of today's Bangladesh is frequently

captured by reputed international media. Bangladesh is still a test-case to many researchers but that is in a positive sense. Bangladesh is termed as a test case for development: to test whether economic development and sustainable democracy can go hand in hand with such a low per capita income, to uncover an enigma on how such a GDP growth is achieved despite lack of governance and persistent political instability, whether this kind of growth can be sustained without adequate progress made in political governance etc. Some are terming Bangladesh as a role model too.

Forecasts on Foreign Direct Investment (FDI) and Economic Development by Goldman Sachs, a Multinational Investment Company, are generally well accepted worldwide. It once forecasted about the economic rise of Brazil, Russia, India and China, collectively known as BRIC which was later proved to be correct. Later Goldman Sachs included South Africa in the group and eventually changed the acronym to BRICS. Recently they prepared a new list of 11 emerging countries calling them 'next eleven' based on economic progress of these countries. Bangladesh is one of those listed 11. The organization said that the majority of the population of Bangladesh is young who can change the future of the country. I too believe that the conscious youths truly carry the symbol of potentials of Bangladesh. The commitment of this tech savvy youths to progress, their skills and courage to face the challenges would push Bangladesh forward in its journey to development. J P Morgan also mentioned five frontier economies including Bangladesh. According to the World Bank, Bangladesh has all the potentials to become a middle income country by 2021. The USA also forecasted that the 'next eleven' countries will surpass the 27 countries of the European Union by 2030. According to the Guardian, the national daily at London, Bangladesh will surpass the western countries in terms of economic growth by 2050. Besides, rating agencies such as Moody's and Standard & Poor's have been consistently awarding satisfactory sovereign credit rating to Bangladesh. Their projection is also taken as an indication of stability and potentials of Bangladesh.

The list of achievements of Bangladesh during past four decades is not insignificant; rather we can be proud of a number of them and are phenomenal by any account. The driving force of Bangladesh economy are the growing agriculture sector propelled by farmers and agriculturists, the booming RMG sector contributed by workers and the accelerating remittance aided by the expatriate laborers. The country

was not self-sufficient in food production in the early 1970s even though it was an agricultural land. We produced about 10 million tonnes of rice per year during the decade of 70s when the population was seventy-five million. Only 60 percent of the national demand of rice used to be met by local production; rest of the demand had to be met by imported rice. In contrast of the situation, the foreign exchange reserve was at a poor level. For this reason the country had to seek food assistance from development partners.

The agriculture sector, however, has witnessed massive development during last four decades. Due to creativity and hard work of the farmers, the country is now going through a revolution in food production. Bangladesh is now almost self-sufficient in food production with 35.7 million tonnes produced per year which is three times as those of 1971. The country needs 30 million tonnes of rice for consumption annually. Bangladesh did not import rice during last two years. After meeting the local demand, the condition of food surplus is satisfactory. Bangladesh is no more a 'bottomless basket'; rather the basket is now full of food stuffs and foreign currencies. The country did not witness famine in the recent past. The word 'Monga' (extreme dearth) is no more heard in Bangladesh. It's the farmers of the country who heralded such a massive success within short span of time. They became victorious too in the struggle of augmenting agricultural production as they did in liberation war in 1971. They are our real heroes. Women are also coming forward along with their male counterparts in agricultural development. We have to recognize the contribution of those people, apart from the farmers, who helped expanding agricultural sector, set plans and policies and provided loans to develop this sector. This is indeed a multi-stakeholder success story.

The contribution of readymade garments (RMG) industry to the new journey of Bangladesh economy is simply overwhelming. None could have imagined in the seventies that the RMG sector could stand as the main driving force of the economic development of our country one day. I can only remember that some tailor shops were set up around Kamlapur area of Dhaka in seventies. From that position the country has now been reached to be the second largest garments exporter in the world. Mr. Nurul Kader Khan, a valiant freedom fighter, of 'Desh Garments' was the pioneer behind this mind-boggling success story. In the world market for garments export, Bangladesh occupies a superior position than that of India and follows China only.

RMG industry is the biggest export earners for Bangladesh. Around 78 per cent of the export earnings come from this sector. About 4 million workers, 80% of which are women and came from farmer families, are involved in this sector. Their involvement in the labor market is also pushing up social development index. Although the wage level is comparatively lower here than that of other countries, these workers are highly skilled and their level of productivity is significantly higher than those of others. By tapping the advantage, Bangladesh is producing higher quality garments with lower cost. Wage level is increasing gradually in China too. For this reason, China is shifting their labor intensive industry to high-tech and heavy industries. International buyers are also coming to cost-competitive Bangladesh instead of China. Bangladesh should make the best use of this opportunity. This RMG industry is expected to flourish for a long time not only for exports but for the local market demand. But it will require necessary land and relevant infrastructure. Special economic zones with uninterrupted power supply along with adequate connectivity and security will have to be ensured without any further delay. The current political instability and violence by anti liberation forces have created serious disruption in the growing export sector. Political stability is strongly desirable to overcome this impasse in the quickest possible time. All of us should work together to bring this impasse to an end.

Remittance sent by migrant workers is yet another important driver of Bangladesh economy. It has been contributing as the main driver to sustainable economic growth during last few years. In the pre-independence era, the scope of our entrance to global labor market was very limited and a few number of workers used to go abroad. Independence has opened the doors to the global labor market for the Bangladeshis. The people of Bangladesh have now spread all over the world. Not a single village in Bangladesh might be found now which has not sent some of its people to work abroad. Recently many female workers are also going abroad. About 8 Million people of Bangladesh are working at present in more than 150 countries of the world. More than half a million people are taking jobs abroad every year.

In terms of inward remittance, Bangladesh is the seventh largest country in the world and the second largest in South Asia. The size of this remittance is more than 10% of GDP, more than half of the export earnings and about 10 times of the foreign aid. Bangladesh has set a record in inward remittance in 2012 with US\$14.2 billion. The

remittance earnings may cross US\$14 billion in the current fiscal as well. The foreign currency received as remittance is being spent in the agriculture and rural development which leads to modernization of agricultural system. Production is also increasing as expected. Migrant workers are making special contributions to foreign exchange reserve. Because of the consistent remittance inflow, the foreign exchange reserve of the country exceeded US\$13 billion at the beginning of current fiscal. At the beginning of March 2013, the FX reserve broke the record with US\$14 billion. Creation of such a huge reserve in a developing country like Bangladesh is a great achievement indeed. FX reserve of a country equivalent to meeting three months import payments is termed as satisfactory. We have US\$14 billion reserve which is sufficient to make payments for imports of five months.

It is clearly visible that the country is firmly progressing towards strong socio-economic development. The revenue budget was only (Tk. 2.8 billion) in the Fiscal Year (FY) 1973-74. The total of revenue and development budget have now reached to Tk. 1920 billion. The average nominal GDP increased about 28 times during the decade of 2002-2011 compared to the first decade (1972-1981) after independence. The average annual GDP growth was 3.8% during 1973-80. In contrast to 3% GDP growth of the world at this moment, the country continues to achieve more than 6% GDP growth. The average annual growth of GDP was 6.4% during last three years. In the current FY too, the GDP growth is expected to be more than last three years average rate i.e. 6.4%. Also this achievement is largely dependent on the political conditions and stability of the world economy. Desired results of economic growth are having positive impacts in poverty reduction.

Rate of poverty has decreased significantly. It was more than 70% four decades ago which has come down to only 31.5% in 2010 and is below 29% at present. I think this rate has already come down to 27%. One of the main components of the Millennium Development Goals (MDGs) was to bring down the level of poverty to 25% by 2015. By observing the trend, it can be easily said that this particular target can be achieved even before the deadline. The index of inequality is either stable or downward. As a result, we were able to keep the pace of social development at a satisfactory level. Bangladesh has also been successful in keeping the rate of population growth under control for initiatives taken by both government and non-government. The rate of population growth has now been brought down to 1.5%. The birth rate of 6.3% in

1975 has come down to 2.3% at present (2011). This is such a rate at which population size of a country remains stable for long. The per capita income was about US\$100 before independence which has now reached to US\$850. Per capita GDP now stands at US\$ 772. Two decades ago, the average income of a labor was below Tk 100 per day which has risen to Tk 400 per day now. The laborers can even save a sum after meeting their daily needs. They can buy various industrial products with the savings. In that way a strong demand base has been created inside the country. For this reason we have been able to face 'The Great Recession' in a proficient way compared to many other countries. Many of the countries in the world could not achieve such economic success in such a short span of time.

We have witnessed lots of successes in our health and education sectors too. According to the MDG report 2011, Bangladesh has achieved either full or partial success in many goals including - eradication of hunger and extreme poverty, ensuring primary education for all, reduction of infant mortality rate, empowering women and prevention of HIV/AIDS. Bangladesh has already achieved a UN Award in recognition of unprecedented success in reducing infant mortality rate. The progress in reducing infant and maternal mortality rate in Bangladesh is comparable to the spectacular success of Japan in this field in late nineteenth century. In 1971 infant mortality rate was 14.6% which came down to 3.8% in 2011. The rate of maternal mortality came down to 2.18% in 2011. The average life expectancy has increased by 19 years reaching to 69 years in the span of only four decades. This average life expectancy is four years higher than that of India, although Indian average per capita income is two times higher than that of Bangladesh. Number of people suffering from malnutrition has come down to half in last four decades. The reason behind this success in Bangladesh is mass awareness. It's the result of joint efforts made by both government and non-government organizations. Those who used to live with superstitions, were devoid of modernization are now allowing their kids to be vaccinated, feeding oral saline solution and taking consultancy service from specialized doctors. The literacy rate has increased by two times during the last four decades and stood at 56% in 2011.

The success of Bangladesh in bringing gender parity in primary education enrollment has been phenomenal. The ratio of male and female students at primary level was 55:45 in nineties which improved to 53:47 at present with the blessing of free education for females at

secondary level. In last thirty years, Bangladesh has made 65% advancement in social development index. Bangladesh was ranked 146th among 187 countries at UNDP Human Development Index (HDI) report released in 2012. These positive manifestations of socio-economic indicators prove the radical improvement in living standard of poor people of the country.

While commenting on the unprecedented success of Bangladesh, Nobel laureate Bangali Economist Professor Amartya Sen said that India is ranked lower than Bangladesh in the index of human resources development. Several times he pointed that it's a great success of Bangladesh that the country made it possible to accomplish many things in a short span of time despite being a country of low per capita income. The Wall Street Journal wrote that Bangladesh is no longer a bottomless basket; rather it is a role model for many other countries. The recently published report titled 'World Economic Conditions and Outlook 2013', written by the United Nations (UN) pointed out that the economic conditions in Bangladesh was favorable amid slow growth in the South Asia last year. The increased flow of remittance, growth of consumption expenditure and private sector investment played an instrumental role in building this favorable image - commented the UN.

The awards and recognitions of Bangladesh do have some ex factor. This saga is inspiring: how a low income country with limited resources but fighting spirit can change the course. The economy has been undergoing a massive transformation. Dependency on agriculture has been reduced and the importance of the manufacturing and industrial sectors is mounting. The country which started its journey with a low industrial base four decades ago has been experiencing multifaceted industrial development. The RMG sector has got a strong base by now. Light engineering, agro processing, power and energy, pharmaceuticals and chemical, leather and shoes, ceramic, cement, ship breaking and information technology sectors have emerged as new potential industries. The jute sector is being revived. Export baskets are now rich with diverse products. The export witnesses diversity not only in products but also in destinations across the globe. The expansion of activities by banks and financial institutions (FIs) as well as insurance and investment companies helped bringing the diversity in exports. In last four decades, Bangladesh has developed a sound economic base in assistance with the flourished banking sector which strengthened the economy in one hand and ensured institutional access of individuals on the other.

In 1972, the country had only six state-owned banks. Number of banks at present is 47 owned by the government and the private entrepreneurs including foreign ones. Nine more commercial banks will start operations soon. The country's banking network is composed of more than 8,300 branches across the country. Number of rural branches is more than those of the urban ones. The private sector banks have also been forced to open more than or equal number of rural branches than urban ones. For that reason, an unprecedented revival has been visible in the rural economy aided by the newly introduced mobile banking system. This instant money transfer arrangement has been providing a new ray of hope to the unbanked population of the country. Some 55 million depositors and about 10 million borrowers are maintaining accounts with these branches. The total advance and deposit have risen to Tk 4,319 billion and Tk 5,396 billion respectively.

Since nineties, Bangladesh has been embracing a full-fledged 'free market economy', the very essence of which is open competition. The simple rule of 'open competition' is 'survival of the fittest'. Buyers will prefer convenient price only. Bangladesh has been familiar as the exporter of RMG, manpower, shrimps, leather goods and from cottage industries products to ships as well due to this free economy. Initially the import tariff in Bangladesh was excessive which used to hamper imports. The duty structure was liberalized in the nineties. The average import duty in 1991 was 57% which came down to 36% in 1993-94 and 10% at present after gradual decrease.

A huge amount of surplus fund has been generated in Bangladesh economy due to opening up markets. Good number of new entrepreneurs has also emerged to utilize this surplus. Small and Medium Enterprises (SMEs) have expanded tremendously. The economic activities also expanded. The people of the country are never late in utilizing a single economic opportunity. Success of one is inspiring others. That is how the flow of employment has moved across the country. Entrepreneurs are gaining successes by raising poultry, doing fisheries, establishing dairy farms and running various agricultural projects. The success story of Bangladesh in last four decades is the story of massive rise of entrepreneurs especially the young ones. The overall development of the country may get further momentum if these young and diligent entrepreneurs are provided with adequate assistance. Lot more potentials will come true. In true sense, 'Bangladesh is on the move'. As a nation, we have thousand years old

heritage. The beauty and richness of the country is depicted well in the song "Dhon O Dhanye Pushpe Bhora Amader Ei Bashundhara" written by Dijendralal Roy. This country is not only blessed with spectacular natural beauty, she has unlimited potentials despite many limitations. The potential sectors are spread all over the country that requires only nurturing and unfaltering advancement.

- A major reason for the optimism surrounding Bangladesh is its huge population with potentials. The main advantage here is the growing section of working population. Working population is growing at a double rate (2.8%) than the growth rate of overall population (1.5%). A larger section of overall population falls in the age range of 15 to 35 at present. In the next two to three decades the size of the working population i.e. the young section of population will surpass the size of old ones. No wonders, this young section of population are the most potential resources of a country who can contribute more to change the fate of the nation. This is a lifetime opportunity which comes only once. China and India have utilized this opportunity. The working population in China has engaged themselves more in production sector while in India it was the Information Technology Sector. This is called 'demographic dividend'. According to the World Bank, the country has to create 1.5 million jobs every year to enjoy this dividend. The manpower has to be more skilled to avail this opportunity. The young and working population of the country are earning huge amount of foreign currency by working abroad. Our youths now a day are not chasing after jobs only but are trying to be entrepreneurs. We can see lot of initiatives around, lot of new activities and efforts undertaken by them. Everyone is trying to improve his/her condition by doing something, be it small or large. They continue to set examples by doing self-employment projects in diverse sectors.
- Rural economy has been playing a crucial role in achieving sustainable economic growth in recent years. A change has been set in the villages. At present in the rural areas, no worker is available at a wage less than Tk 400 even after an offer of three gratuitous meals a day. Previously, workers could have bought two to two and half kg of rice with their daily earnings but now they can buy 9-10 kg of rice with the same. The main reason of the rise of wage is the huge expansion of economic activities in rural areas. A major section of the rural people has engaged themselves in the activities other than

the agriculture. The demand for the agricultural labors has risen as many small entrepreneurs are in the making. Vegetable farming, poultry and dairy farms are being established in the rural areas. Many of them are living on fisheries. Flowers are cultivated commercially and home decoration materials are being produced too. Small and medium industries, trade and commerce and many other initiatives have been spread. Repair and maintenance activities for rickshaw-van, agricultural instruments and electronic materials are also taking place massively. People are engaging themselves with this expansion of rural economy. As a result, the rate of rural employment has gone up. The purchasing power of rural poor has also increased. The field labors and day laborers, who used to engage their kids for earning extra income without sending them to school, are currently sending their children to schools. Rural infrastructure is being constructed. The living standard of rural people is enhancing through modern management. The farmers of rural areas are now using mobile phones and completing daily activities using ITC. If the pace of advancement of rural economy continues, urban people will be encouraged to move and live in the villages in future.

- We have fertile land and huge population. About 60% of the population of the country is engaged in agricultural activities. Contribution of agriculture to GDP was 19% in 2011-2012 fiscal. Nonetheless, we could utilize a fraction of the true potentials of the agriculture sector. If we could explore the full potentials of agriculture by proper planning and restructuring, we could very well export food in the global market besides ensuring food security at home. It is even possible to transform Bangladesh as an agro based industrially developed nation. Potential sectors like fruit-juice production, poultry and dairy farming, farming Black Bengal goat, fisheries and dried fish production, edible oil, cultivation of palm, pearl farming - all these can contribute to the economy significantly. The agriculture sector should be brought under mechanization to increase productivity. With this goal in mind, adequate facilities and incentives have to be ensured for the scientists of Bangladesh Agricultural University and other research institutions. The scale of agro based industries has to be broadened. Bangladesh Bank has opened a special window of 'refinancing scheme' for agro processing industries too. We must continue to create different opportunities for the new entrepreneurs.

Whenever we discuss about industry, only RMG comes in but there are many other industries which have already shown their potentials. We have to consider those. The pharmaceuticals sector has emerged as a potential sector in the global market. Export earnings from this sector increased by 15 times during the last decade. Bangladeshi made drugs are exported to a total of 70 countries including USA. Even the drugs for complex disease such as cancer are produced in the country. The country is also advancing in medical technologies. Bangladesh will be able to save hundreds of millions dollar if people's tendency to go abroad for medical treatment can be contained. The ship building industry has already opened a new horizon for Bangladesh. The country is ably moving forward with this industry and is expected to secure a strong foothold in the global market very soon. Bangladeshi made mid size and large ships were exported to different countries in Europe and USA in the meantime. Those ocean going ships are sailing from ports to ports bearing the tag of 'Made in Bangladesh'. The country may stand strong by using this industry alone. The leather industry has huge potentials too if the environmental damage can be controlled. High quality leather is abundant here. Earning lots of foreign currency by exporting the leather and leather goods is possible. We have to move forward by using potentials of textile, ceramic, cement, light engineering, machineries for agriculture and small industry, furniture, plastic goods, electronics, ICT based products, bicycle, publications, packaging, frozen foods, agricultural goods and spices, vegetable and jute goods.

The industrial sector contribution to GDP has now been moved to 31% from only 9% in the post independence era. This expansion of industrial sector leads us to the dream of being a middle income country by 2021. Total export earnings during FY 1973-74 were US\$3.18 billion and import payments were of US\$7.67 billion. During the last fiscal year the export earning stood at US\$ 24.3 billion which is 30 times higher than that of 1973. On the other hand, the import payments were of US\$ 35.4 billion during last fiscal which was also 16 times higher than that of 1973. This is a great transformation of Bangladesh economy. This huge volume of export-import can serve as solid evidence in reflecting capabilities of Bangladesh Economy.

- The pace of expansion of software industry in Bangladesh is also very impressive. Bangladesh is moving forward in ICT with a renewed

pace. Due to the rise of business expenses in ICT service providing countries, Bangladesh is considered as one of the most potential alternate destinations for ICT services. The young entrepreneurs are achieving huge success in this sector too. Thousands of young people are acquiring knowledge on ICT from different educational institutions to prepare themselves as skilled human resources. They are expanding outsourcing or business processing industry. The country has also made tremendous advancement in freelancing activities. Bangladesh Bank is providing necessary regulatory support to each of this sector. Equity and Entrepreneurship Fund (EEF) has been customized for the expansion of ICT industries.

- It is possible to turn Bangladesh into an export oriented country from the current status of import dependency. Export sectors have undergone a massive transformation during four decades after independence. Jute sector used to occupy 70% of export basket in 1972. The demand for jute had reduced dramatically after the introduction of artificial fiber in the seventies. In the eighties, the labor intensive RMG industry started to expand in Bangladesh which is contributing 78% of export earnings at present. The number of non-traditional items along with traditional items has increased in the export basket. Along with the traditional items like RMG, tea, tobacco, leather, drugs and ships, non-traditional items like ceramic, cement, furniture, plastic goods, bicycle, ICT products, fish, shrimp, dried fish, crab, flower, vegetables, guava, cap, nakshi kantha (embroidered quilt), potteries, bamboo and cane made goods and other handicrafts are being exported to many countries.
- The industrial sector is expanding very fast in this country of huge population. While at the same time, developed countries are facing labor shortage for their industries, Bangladesh enjoys surplus manpower. Besides, raw materials, energy resources and production friendly natural environment are prevailing here. We need to set up more small, medium and large industries. We also need investment for setting up those industries. Renowned global companies are interested to do business in Bangladesh; many of them are already doing business here. We should understand that without any prospects of making risk adjusted return; they were not here to do business. But an infrastructure for sustainable development can't only be built upon by foreign direct investments (FDI). For that reason, we have to encourage and attract local entrepreneurs/

investors. Local people will feel free in working and doing business with local companies. We have to move forward by using these investment potentials. We might go for large scale industries under joint venture. The PPP Cell should be more active and innovative in this connection. BB has already extended necessary cooperation in this regard too.

- We may not have abundant natural resources but what we have is not insignificant either. The land, water and people are the great resources of this country. Besides, a great volume of energy and mineral resources like oil, gas and coal remained unexplored under the soil. The proper exploration and uses of these natural resources can help faster development of the country. We have to undertake policy initiatives to adopt latest technology in gas exploration. We can meet the energy demand of next 50 years by exploring coals. We have to ensure using appropriate technology for exploration as the country is densely populated with prudent policy and decision with due care for public safety and protection of environment. The Bay of the Bengal is another area of potentiality. Modern sea ports can be built here. It is abundant with fish and rich with other minerals including oil and gas.
- The potentials of tourism industry in Bangladesh are enormous. The naturally beautiful, historical, religiously significant and culturally important places and modern architectures have unlimited potentials for tourism. We can create opportunity by introducing modern, luxurious river cruise. Introduction of cable cars at Rangamati may open further roads to opportunities. The size of middle class and higher middle class is increasing in the country. Non-resident Bangladeshis and foreign investors are also coming to Bangladesh for investment. We have to concentrate in expanding the industry by considering everyone's demand in mind.
- Initiatives beyond government i.e. taken by non-government organizations (NGOs) have lots of contributions in Bangladesh. NGOs played significant role to prevent fall of consumption level of the rural poor. The country is branded as the pioneer of micro credit in the world. The well controlled micro credit is playing a very significant role in self employment based poverty reduction across the globe. NGOs are contributing heavily along with government in education and health service, population control, disaster management etc.

During the last few decades, the inclusive development strategy and massive policy and institutional reforms helped bring positive results in socio economic spheres. Mid-term and long term development strategy for achieving equity based growth played due roles in ensuring primary health care, education, training and regular budgetary allocations for elderly and widow allowances under social safety net programs. These also played roles in bringing continuous reform to revenue generation, facilitating internal production of necessary crops to ensure food security and strengthening rural economy, undertaking financial inclusion programs by BB, providing cost effective innovative banking services to the people of remote areas of the country in joint efforts by banks, micro credit agencies and mobile phone companies using modern ICT. Bangladesh Bank is going to introduce agent banking guideline very soon to foster this process.

The achievements of Bangladesh economy during last four decades can no way be undermined. We may indulge into a threadbare review on the scale of development that should have been achieved during the period, but there will always be some gaps between expectations and realities. Many of our dreams have been met although some were not during the last four decades. Our economic strength has already been proven; what we need to do is to protect those through fair practice in politics.

- Bangladesh had to face many challenges during last four decades and is still facing the same. The vicious cycle of poverty is one of those. Despite achieving significant success in poverty reduction, about 40 million people of the country are still poor among which 25 million are hardcore. The climate change effects increased natural calamities and environmental hazards. Its negative impacts are evident in the coastal and river bed areas. Poverty set in anew in the coastal areas due to negative impacts of climate change. Many people are being evicted from these areas due to failure to cope with the adversities. Although Bangladesh has exhibited its unique capacity in facing natural calamities but it's quite insignificant compared to the widespread impacts of climate change. So, we have to equip ourselves to face the threats of climate change. Bangladesh Bank and the Government of Bangladesh have taken some innovative initiatives including green banking to face the challenges. But we have to take preparation for facing the worst.
- Utilizing unlimited potentials of the country is another challenge. Actually we could realize only a fraction of potentials of our huge

population due to lack of proper direction. However, it's too early to be conclusive. The size of our working youths is the key to the social, economic and technological development of Bangladesh. We have to utilize them to build the nation. To transform these youths into real assets, they have to be made efficient. They need training for skill enhancement and diversified investment including creation of scope for entrepreneurial initiatives. We need massive expansion of labor intensive small and cottage industries to create employments for the youths.

- We have to make large investment in energy sector in this age of technology. The physical infrastructure including power and energy is still very much inadequate here. We have many natural resources which can be utilized in producing low cost power. It's heartening to share that the present government has prepared a master plan to produce 39,000 MW power by 2030. The government is in the right track to generate power. A contract has already been signed with Russia for installation of a nuclear power plant which is expected to generate 5,000 MW power. Installation of a coal based power plant is going on. Besides we have to support the initiatives of producing power from solar power, biogas and wastages. The scale of creative initiatives taken by Bangladesh Bank and the Government of Bangladesh supporting production of renewable energy should be extended further.
- We are yet to make sufficient improvement of our roads, bridges, ports and railways. Dhaka, the capital city of Bangladesh, and its adjacent areas are crippled with heavy traffic jam. We have scope to improve in these sectors and the present government has concentrated on this issue. Construction of many flyovers is in final stage; yet we have to do lot more on this. We need to improve our rail and river transportation system to facilitate transportation at low cost. Projects of high speed bus and train services are also to be undertaken to facilitate faster travel between important cities.
- Bangladesh is the eighth largest country in the world in terms of population but 94th in terms of size. The cultivable lands are getting reduced day by day under the pressure from over population. If the situation continues, this might call for a disaster for us. We have to build planned habitats even in rural areas. Failure to generate more employment opportunities for rural people will exert a huge pressure on the cities. We have to concentrate on green and well governed urban management.

- Unemployment is still a serious problem. Alternative employment should be created to reduce unemployment. One of the main sources for livelihood for the people of agrarian Bangladesh can be livestock and fisheries. These two sectors are developing very fast. A large job market needs to be developed to reduce unemployment which in turn requires investment. Government ongoing initiatives for creating jobs abroad should continue. We should continue to encourage related private sectors to do the same ensuring good governance.
- Investment in manufacturing industries needs to be increased for job creation. We need to maintain a welcoming environment to attract FDI. For this reason, special industrial zones need to be set up urgently. The central bank is providing necessary policy reforms to facilitate increase of foreign investment. We want more domestic investment too so that money remains within the country. We urge the investors to report to Bangladesh Bank and other regulatory authorities if they have any problem or have preferable mode of cooperation required. Because we are committed to increase domestic investment. We also have to create diverse opportunities for Non-Resident Bangladeshis (NRB) to invest at home.
- It is a pretty big challenge to provide assistance to the new entrepreneurs in building tomorrows Bangladesh. We have to stand by their side with finance, technology and ideas. The government and Bangladesh Bank are upholding their efforts to enhance access to finance for the people like marginal farmers, sharecroppers, new entrepreneurs, women entrepreneurs, who did not get bank loans earlier. Arrangements have also been made to provide required finance to those who have proven themselves as established entrepreneurs in the fields of readymade garments, textile, pharmaceuticals, leather, ceramic, cement, ship building sectors. The government and Bangladesh Bank are committed to remove any barrier that stands in the way.
- We could not utilize the potentials of ICT sector properly due to lack of English and computer knowledge. So, national level initiatives and private sector investments are needed to make our new generation expert in English language and computer knowledge. We have to put more focus in expanding ICT in the field of education.
- We need to increase sub-regional cooperation especially the economic network with South Asia, ASEAN and GMS countries.

Regional Economic Alliance may also be formed, if necessary. Our trade volume with neighboring India is increasing and the concerned people should always be vigilant so that this trend continues.

- We have to undertake institutional reforms to frame right policies and implement those in the priority sectors.
- It cannot be denied that we lack political stability and good governance; we have administrative weakness and weakness in proper implementation of the projects. Corruption is widespread. If we cannot remove corruption we cannot sustain our development achieved so far. Society is yet to have the ambience of true peace. Still, there exist patches of indiscipline in the society. Our growth could have been much higher if we could reduce corruption and political instability. So we desperately need political stability and effective governance to continue the progress and to face future challenges successfully.

As the barriers of development and progress of Bangladesh are identified, removal of those should not be a tough job either. I believe that Bangladesh will be able to stand high with economic potentials in the world in near future by overcoming these obstacles. Bangladesh economy has achieved a lot of successes by overcoming many hurdles since independence. The economy of the country has shown adequate resilience in facing ongoing global recession and keeping the growth rate moving. In terms of GDP growth rate, Bangladesh has secured top position in South Asia in 2012-2013 fiscal. However, we secure the second position after India in terms of average growth rate in last five years. Our main target for the growth is to eradicate poverty. That's why, we have to continue the pace of this inclusive development trends. In order to enter into the second stage of growth we need to increase our productivity through technological development and by developing market for the SME sectors. We have to increase our foreign remittance by sending more skilled labor abroad. We have to increase productivity for readymade garments by increasing wages for the labors.

Bangladesh Bank has undertaken a program to bring disadvantaged people of the society under financial services net to direct the country towards an environment friendly, inclusive and sustainable development. It formulated a well thought out policy on Corporate Social Responsibility (CSR) and is implementing those at financial sectors gradually. Financial inclusion is a big part of these strategic planning. We

have already introduced refinance scheme for agriculture, SME and environment friendly projects with our own fund to increase adequate and visible credit flow to these sectors. We have introduced bank accounts for farmers and poor people of the society and also introduced modern, innovative and technology based banking services like mobile banking etc. We have to ensure proper policy framework for local and foreign private sector entrepreneurs in the areas of human resource development, youth skill development, faster poverty reduction, increased govt. revenue expenditure for the development of low income group, increased govt. R & D expenditure in environment friendly agriculture, power and energy sectors.

Keeping in mind the need for society's contribution to make good market inefficiency, Bangladesh Bank is inviting FIs to undertake large scale CSR programs to distribute education scholarship, develop the health and renewable energy sector and to support the development of heritage, art and culture. Banks have provided huge response. The CSR financing by the financial sectors has increased by more than 7 times in last four years. If these initiatives continue Bangladesh will be able to stand high as an 'inclusive sustainable development model' in the world.

We have enough relevant means for building a prosperous, peaceful and liveable Bangladesh. Being encouraged by the positive reports published by the world renowned media and agencies, we have to continue putting strong efforts to move our country further. We cherish for a hunger and poverty free enlightened country where there will be no corruption and chaos. Income inequality should be the lowest among all the countries in the world. Gap between village and city will be reduced to a great extent with heightened interconnectivity. We want to be a model for other countries in education, healthcare and other sectors. We always dream of a beautiful and prosperous country whose success will be based on the united efforts of the whole nation. We need seamless peace; need honest, efficient and patriot citizens to explore the full potentials of the country. We want our beloved country to sail through successfully with its huge potentials. We want our beloved motherland to stand tall keeping pace with the progress of the 21st century. Let us join our hands together and be united to eradicate poverty and help put smile on the faces of our people. Let us take a vow forgetting our past failures to move forward and to work for the homeland together. Let us utilize 320 million hands of 160 million people for the welfare of the country. This soil of our nation is holy

strained with the bloods of 3 million martyrs. Our valiant freedom fighters sacrificed their lives for the independence of the country.

We have to keep in mind that the country has been freed but the people of the country are yet to gain economic freedom in true sense. For the economic emancipation the country needs an economic revolution. The young population of the country should play instrumental role in this movement. The young fighters will be the harbinger of fulfilling our dreams; our beloved mother land will be the center of peace and prosperity by the dedication of the youths. They have already proved their capabilities to take up the challenges. Good wishes for all their attempts. Let's have our patriotism rekindled among us. Let's rise in words, deeds, writings and thoughts. In totality, this emerging Bangladesh will be a prosperous Bangladesh where basic rights will be expanding day by day. Upholding the basic rights for all is the sign of real development. As put by Rabindranath Tagore; 'One sign of a nation which is on the way of development is that the narrowness of all sections and every individual starts eroding gradually. Most of the people of such a nation are privileged to claim themselves as proud human being. That's why everyone there thinks how all of them can have a decent living, get sober education, enjoy good foods, wear good clothes, protect themselves from diseases and enjoy sense of adequate relaxation individualism.' (Batayan Patra, Rabindra Writings Collection, 12th Kha-Page-581)

Finally, I conclude by paying homage to millions of martyrs of 1971, by promising to fulfill their dreams of a 'Sonar Bangla', and by congratulating in advance future architects of the country who will be building a happy, prosperous and beautiful Bangladesh.

OMFIF-Golden Series Lecture

Recent socio-economic trends and prospects in Bangladesh: Stability supportive use of inclusive financing*

Steadily growing but still a low income economy, Bangladesh has over years developed a social consensus for inclusive socio-economic growth equitably opening up advancement opportunities for all population segments. To this end, annual national budgets consistently allocate substantial expenditure outlays in the social sector (around a third of total budget) for pro-poor human development (healthcare, education & training) and social safety net to unleash the creative energies of the entire population; besides expenditure for infrastructure and other areas promoting enabling environment for private sector driven rapid growth.

Bangladesh Bank (BB), the country's central bank, has been supporting the government's inclusive growth efforts by promoting inclusive financing of all productive initiatives including those of the traditionally underserved farm & non-farm SMEs and other innovative niche area entrepreneurs. BB's inclusive financing promotion takes place within the overall monetary growth envelop of monetary programs designed to maintain price stability and macro-financial stability. Attention of the inclusive financing initiatives on adequacy of credit flows to SMEs helps enhance macro-financial stability, with incremental output on the supply side and employment and income generation on the demand side.

BB has got the entire Bangladesh financial sector engaged enthusiastically in inclusive financing initiatives on the one hand by invoking their corporate social responsibility, and on the other hand by steering facilitation and adoption of cost saving modes of off-branch delivery and management of numerous loans to SMEs in dispersed locations. Supervisory attention to End use, recovery rates and asset quality of loan portfolios in the new customer bases accompany the inclusive financing facilitation efforts. BB's caution-mixed inclusive financing promotion initiatives are serving Bangladesh economy well, as

*Governor Rahman's speech on 21 June 2013 in London, UK

evidenced by stable, steady economic growth amid the global financial crisis and the lingering global growth slowdown. Unlike elsewhere including advanced economies, credit flows for output activities of SMEs in Bangladesh held steady and did not suffer exclusion crunch during or following the global financial crisis; upholding internal demand and output activities on steady long-run growth path.

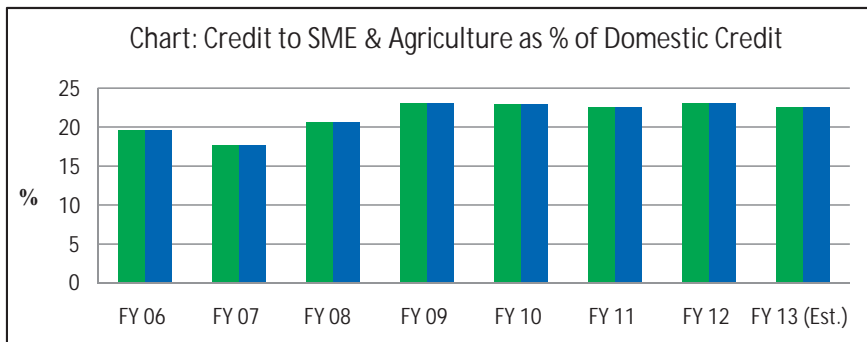
Main thrusts of the BB initiatives for promotion of inclusive financing include:

- i) Articulation of commitment to inclusive financing in BB's Monetary Policy Statements issued ex-ante on half yearly basis to anchor inflation expectations.
- ii) Spearheading and guiding the mainstreaming of Social Responsibility in corporate ethos and objectives of financial institutions.
- iii) Promoting and facilitating adoption of cost saving options of financial service delivery to numerous clienteles in dispersed off branch locations, including mobile phone/smart card based banking using Micro Finance Institutions (MFIs) and other locally active area agents. BB has steered major up-gradation of the entire financial sector IT infrastructure, inter alia introducing online interbank clearing and settlement of transactions thru diverse platforms interconnected by a national payments switch, and online access to credit information on borrowers including SMEs.
- iv) Liquidity support refinance to lenders against their loans to the inclusive financing target sectors including agriculture, SME and 'green' initiatives. The refinance lines are mainly funded by development partners, with small BB participation within the overall monetary growth envelop of monetary policy stance.
- v) To bring down high borrowing costs for SMEs, a partial risk guarantee scheme for lenders to SMEs with development partner support is expected soon.
- vi) Direct SME financing facilitation is being supplemented by 'factoring' or discounting of their receivables against credit sales to buyers of good credit standing, easing pressure on their finances.

vii) A BB supervised, government funded Equity and Entrepreneurship Fund (EEF) extends partial equity support to agro based and IT sector enterprises including SMEs. Private sector venture equity providers have also come up lately.

viii) To facilitate delivery of financial and other services, SMEs are being drawn into suitable local or regional clusters convenient for networking between themselves and with their backward and forward linkages.

BB's Inclusive financing promotion initiatives conducted within the monetary growth envelop of the current monetary stance aim at smoothing out impediments to necessary growth of SME and other target sector financing, and not at creating any credit surge. Chart below depicting the pre and post global financial crisis agricultural and SME lending trends bear this out as actual outcome.



The following brief overview of Bangladesh's macroeconomic stability with decade-long above six percent annual average real GDP growth would further reconfirm that BB's inclusive financing promotion approaches have served the economy and financial sector well during and following the global financial crisis; protecting credit flows for productive activities and aiding stability both on the demand and supply sides amid global growth slowdown.

Healthy macroeconomic trends upholding BB- and Ba3 sovereign credit ratings with stable outlook, for four successive years now by S & P and Moody's respectively is well supported by robust improvement in all other key macroeconomic indicators. The estimated size of GDP in FY13 stood higher at about USD 128.8 billion from only USD 47.1 billion in FY2000, while GNI per-capita increased by about 245 percent to USD

923 in FY13 from only USD 377 in FY2000. At the end of June 2013, the amount of international reserves is expected to stand at around USD 15.0 billion, which would be more than 4 months imports equivalent. At the end of June 2013, government debt, budget deficit and investment as a percent of GDP are expected reach at 37.2, 4.8 and 26.8 percent respectively from 46.4, 6.1 and 23.0 percent respectively at the end of June 2000.

1. Robust economic growth with stable inflation

- Steady progress in overall domestic economic activities along with positive developments in three major subsectors of the real economy aided by various supportive policy initiatives helped in achieving 6.03 percent real GDP growth in FY13 keeping the economy on its long-run growth path despite episodes of internal (floods, cyclones etc.), and external (spiraling commodity prices, global financial crisis, etc.) shocks.
- BB's monetary policy succeeded in maintaining stable inflation (mostly in single digit, only rarely at or near double digit level), while prudent fiscal policy helped accumulating higher revenues with moderate deficits leading to declining public debt ratio.

2. Impressive export growth, albeit heavily concentrated in apparels

- Exports more than quadrupled over the past decade, still on growth trend amid global slowdown.
- Apparels comprising three fourth of total exports keeping steady market share in US and growing in EU.
- Non-apparels exports also on sustained growth path, in diverse sectors including horticulture and fishery, jute goods, ceramics, pharmaceuticals, leather goods, light engineering, ship building, IT services & so forth.

3. Rising remittance inflows from migrant workers

- Remittance inflows from migrant Bangladeshi Diaspora world over continue growing at double digit rates bolstering FE reserves and external sector viability.
- Government facilitating migration of workers to job markets abroad.

4. Substantial poverty decline evidences inclusiveness of growth

- Population in poverty fell from 61.6 million in 2000 to 44.8 million in 2010.
- Consumption Gini-coefficient unchanged at 0.33 over ten years, evidencing social cohesion.

5. Significant improvements in social indicators over past two decades:

	1991	2011/ Latest
Fertility rate (births per woman)	4.36	2.20
Infant mortality rate (per 1,000 live births)	93.5	36.7
Life expectancy at birth (years)	59.99	68.94
Malnutrition prevalence, height for age (% of children under 5)	76.70	43.20
Adult literacy rate (% of people aged 15 and above)	35.32	56.78
<ul style="list-style-type: none">● "Made in Bangladesh" innovations (e.g. micro-credit, non-formal education, oral rehydration therapy, low-cost birth mat etc.) contributed to the improvements (The Economist, May 2013).● Well-rooted Government-NGO development partnership with relatively light regulatory rigor also contributed.		

6. Challenges on medium and longer term progress path, policy direction options

- Bangladesh is poised to cross the (lower) middle income country group GNI threshold in a couple of years. Time now therefore to chart the next phase of her progress path aiming at: (i) Reaching the upper middle income country group GNI threshold by 2030, and (ii) Attaining developed advanced economy status by 2050.
- Bangladesh already has two of the most important requisites, viz., (i) The demographic dividend of a large youthful work force, and (ii) A broad based social consensus on social responsibility driven inclusive development strategy to harness the ingenuity and creative energy of all population segments in overcoming challenges on path of rapid poverty eradication and eventual prosperity.

7. Bangladesh's demographic window of opportunity, also a massive challenge in skill development and job creation:

- While population growth is now 1.5 % per year, the working age population is growing at 2.5-2.8%.
- Growing working age population widens opportunity for rapid development but also presents skill development and employment creation challenges.

8. A few other overriding priorities on the high-growth trajectory towards prosperity

- Enduring social cohesion and harmony, fostered by liberal democratic practices tolerant of plurality of views and perspectives;
- Good governance in all spheres of social life, cemented by clarity of roles and responsibilities, transparency and accountability;
- Education, training, skill development and innovation nurturing programs on massive scale for the young and the working age population, to meet the job market needs of a rapidly modernizing, rapidly advancing economy;
- Rapid modernization and integration of the country's financial sector with global financial markets, enabling it to attract and handle the typical massive investment flows in a fast advancing economy. Bangladesh Bank will itself need to modernize and evolve fast, in steering this integration with global financial system in an orderly manner without jeopardizing stability.

Financial Inclusion, Productive Capacity and Youth Employment*

Youth employment has always been a challenge and a key priority in populous low income developing economies like my country Bangladesh. Many advanced Western economies are now facing much the same challenge, in lingering growth slowdown since the global financial crisis.

Both in the developing and developed economies, continuing broad based job creation will require sustained expansion of productive capacity in all economic sectors by entrepreneurs utilizing investment resources efficiently and innovatively. Small enterprises producing goods and services figure importantly in output growth and job creation, solo or in value chains with larger businesses. Adequate financing access for the enterprises is a sine qua non for this. Urban large business focused financial markets and institutions in developing economies have lacked motivation and readiness of reaching out to small businesses. Mainly small landholding based agriculture remains poorly served by the financial sector, so do non-farm rural and urban small enterprises.

In the post crisis economic slowdown, financial markets and institutions in advanced economies are also failing in meeting financing needs of small businesses including startups. These are languishing in credit crunch, with financial institutions swinging to extreme of risk aversion from the opposite pre-crisis extreme of quick gain focused speculative excesses. This financial exclusion of small businesses is impeding recovery of output growth and employment creation. For both developing and developed economies, sustained recovery to path of stable output growth and job creation require a fundamental reorientation of financial sector goals and motivations away from quick gains focused speculative excesses foaming creating credit bubbles towards socially and environmentally responsible inclusive financing of all productive initiatives.

*Governor Rahman's speech at a program organized by United Nations Department of Economic and Social Affairs on 29 June 2012 at UN Headquarter, New York.

Central banks can play catalytic role in this reorientation of goals and objectives of financial institutions and markets towards socially responsible inclusive lending practices ensuring adequate credit flows to small businesses and other underserved or financially excluded economic sectors and population segments. At Bangladesh Bank (BB), the central bank of a low income developing economy, we have taken this approach. Results thus far are very heartening; our financial sector maintained solvency and liquidity during the global financial crisis and in its aftermath, supporting the real economy in coping with adversities from the global slowdown instead of needing any bailout for itself. Deepening, widening financial inclusion has helped Bangladesh economy uphold domestic output and demand amid global economic slowdown, maintaining stable real GDP growth averaging over six percent per annum. Rising real wages, particularly strongly for the rural workforce, evidence rise in employment.

I am grateful to UNDESA for the opportunity of sharing with this global audience of senior policy makers our approach of guiding our financial sector into socially responsible inclusive financing practices, looking forward to gaining from your feedback comments insights and ideas about similar or other approaches elsewhere.

BB has initiated guiding Bangladesh's financial sector towards socially and environmentally responsible financing by sensitizing banks and financial institutions about their Corporate Social Responsibilities (CSR), with a guidance circular for mainstreaming of CSR obligations in their corporate goals and objectives. The financial sector has responded with warm enthusiasm in steadily increasing engagement in CSR initiatives. Alongside monitoring of financial sector's progress in ingraining of CSR in corporate goals and objectives, BB has launched a comprehensive financial inclusion campaign to reach out with financial services to all hitherto underserved and excluded economic sectors and population segments.

Under the financial inclusion campaign umbrella, banks and financial institutions are being encouraged and supported in taking up financing schemes targeted to specific underserved areas, mainly agriculture, SMEs and environmentally beneficial projects. Creative partnership of banks with regulated Micro Finance Institutions (MFIs) and mobile phone/smart card based IT platforms towards devising new cost effective service delivery modes are being encouraged. Besides making

modest refinance support lines available against lending to the underserved sectors, Government of Bangladesh (GOB) and BB are supporting the inclusion initiatives of banks with facilitating regulatory and IT infrastructures, including establishment of a Microcredit Regulatory Authority for licensing and regulation of MFIs, issuance of Mobile Banking Guidelines, a secure and efficient payment system with fully automated platform for online clearing and settlement of paperbacked and electronic fund transfers, and a Credit Information Bureau(CIB) accessible online by system participants.

Engagement of our financial sector in the social responsibility based financial inclusion campaign has been spontaneous and enthusiastic, signifying their realization that their participation in deepening and widening financial inclusion rewards them with future earning potentials from the newly acquired customer bases. Since launching of the campaign in 2010, new bank accounts opened for landless/small farmers, poor wage laborers and other people of small means have reached ten million. These new accounts are increasingly being used for deposit, payment and other transaction, besides receiving government subsidies for agricultural input and social safety net payments. BB is seeing to it that financing flows to sectors targeted by inclusion initiatives take place not from unbridled overall credit expansion, but largely from rechanneling of credit resources from speculative uses and from avoidable conspicuous consumption. To this end, BB is interalia contemplating engaging with Civil Society Organizations (CSOs) and others representing the broader civil society in fostering our traditional social attitudes and values of disposable income based consumption and predominantly equity based investment; so as not to be afflicted by boom bust cycles of credit bubbles familiar in advanced Western economies.

I begun with mention of favorable growth and employment outcome of our financial inclusion approach; let me mention here that the stable fairly robust economic growth levels have been sustained with substantially lower FDI inflows than in our South Asian neighbors, and we are ahead of our higher income neighbors on many counts of social development indicators.

Let me conclude here with thanks for your patient attention, awaiting your queries and comments.

A Changing World: Business As Unusual*

Although socio-economic development indicators of Bangladesh are improving steadily, poverty incidence is still high and the country is some way behind her regional neighbors and the broader world in human development index. We cannot therefore afford to compromise the imperative of faster economic growth and inclusive social development with attempt at overambitious elitist environmental goals. In the RIO+20 global dialogue for a post. 2015 framework Bangladesh may consider advocating some variant of the so called 'hybrid approach'. We may suggest adoption of two separate sets of (a) Socio-economic development goals, and (b) 'Green Growth' Environmental Sustainability goals; with the Socio-economic goals taking priority over Sustainability goals in low income developing economies like Bangladesh.

For low income developing countries the Socio-economic development goals will be the minimums to attain or exceed; but because of their severe constraints in resources and knowhow, the Sustainability goals will be benchmarks to make progress towards, but not necessarily to fully attain or surpass. Developing low income economies should be demanding strongly for separate mechanism of transfer of resources and knowhow from developed economies in pursuit of the Sustainability goals. New 'carbon tax' and other levies on 'polluter pays' principle will have disproportionately high negative economic growth impact on low income economies; they will need to be protected by deferral of paying such taxes/levies, perhaps by a couple of decades or so. Unlike in case of MDGs, some part of the onus of realizing the post-2015 sets of Socioeconomic and Sustainability goals may be placed with the corporate private sector including the Trans National Corporations (TNCs), as their Social and Environmental obligations in the SR/CSR framework. To this end, the ICC and other global forums of private sector businesses may be drawn into global dialogues, eliciting concrete commitments of actions and resources. Attempts by developed country

*Governor Rahman's speech at the session on A Changing World: Business As Unusual at Rio+20 Corporate Sustainability Forum on 17 June 2012 at Windsor Barra Hotel, Rio de Janeiro, Brazil

groups of abusing SR/CSR as trade restriction tools against developing countries must however be vigorously resisted.[There are vast potential gains to be reaped in global stability and environmentally benign equitable inclusive growth from mainstreaming of Social Responsibility in corporate ethos and objectives of businesses. Modalities of engagement of corporate business sector in attainment of Socio-economic development and Environmental Sustainability goals remain to be worked out; proactive promotion and support in innovating environmentally sustainable, climate change adaptive production technologies in agriculture and manufacturing can figure importantly among those.

In Bangladesh, we at the central bank have spearheaded mainstreaming of CSR in financial sector corporates, for them in turn to influence non financial real sector corporates into embracing CSR obligations. We have also issued 'green banking' guidelines equipping banks to make financing decisions based on prior environmental appraisal of investment projects. Concessional refinance support has been introduced for banks against their financing of environmentally beneficial projects, including renewable energy (bio-fuel, solar etc.) generation, effluent treatment, and adoption of more energy efficient emission minimizing production techniques.

Addressing environment and climate change issues with CSR funds: Experience from Bangladesh

Management and Resources Development Initiative (MRDI), with the funding of Bank Alfalah made provision of safe water for 355 families of a remote village in the mangrove forest Sundarbans by digging ponds. This will improve health condition of people, particularly that of women and children. MRDI distributed eco friendly oven among the families of the same village with the funding support of Midas Financing Limited.

This aims to minimize carbon emission and save trees from being used as firewood for cooking. Green World Communication is operating a beach cleaning program in Cox's Bazar along the world's longest beach with the financial assistance of Banglalink, a mobile phone operating company.

Al-Arafah Islami Bank distributed solar energy panel among 1,100 families amounting 50 kilowatt of electricity in a remote village of

northeastern district of Hobiganj. Islami Bank and Jamuna Bank Foundation operated tree plantation and sapling distribution program in eleven districts of the country. HSBC provided climate awards to different companies in green business entrepreneurship, climate change mitigation and green operations categories. The initiatives included energy saving technology in garment manufacturing, green brick project, reducing energy consumption, heat/carbon emission, water and paper recycling, and waste management.

In the non-banking sector, Rahimafrooz, YKK, Chevron, Unilever, Grameenphone, Lafarge Surma and Coca Cola provided CSR funds for tree plantation, sapling distribution and beach cleaning.

Towards Bangladesh at 50: Financial Sector Resilience-Issues and Prospects*

Bangladesh will reach 50 years of age in less than a decade from now. It is a timely initiative of the Dhaka School of Economics and the Young Economists Association to hold this seminar series to take stock of where we are on the path to where we want our economy to be by then.

The vision for Bangladesh at 50 in GOB's Perspective Plan is of sustained stable inclusive growth lifting the economy out of lingering poverty onto middle income country group. The longer term goal is of course of emerging as a prospering advanced nation fully integrated with the global economy, by another 2-3 decades. Our macroeconomic trends are broadly on course towards attainment of these growth visions, even amid the slowdown in global economy since the global financial crisis.

Much of our growth related new investments will have to be attracted from abroad, heightening our financial sector's exposure and vulnerabilities to market volatilities in the global scene. In step with rising external exposures, our financial sector will need to build up and bolster resilience against shocks from perennial volatilities and instabilities of the international markets. Besides shocks of external origin, there are the also the demand and supply shocks of domestic origin to build up resilience against, particularly as the market based Taka Interest and exchange rates may move in adverse directions.

It would be pertinent to begin with brief recap of the background. Our financial sector became almost entirely state owned after liberation, dispensing directed loans at dictated interest rates. Exchange rates were also administratively prescribed. This regime left banks with little choice in credit risks to take up, and little in market risks to worry about. Over decades this has gradually transformed to a market based financial sector, under Bangladesh Bank's (BB's) guidance and vigil. By nineteen eighties local and foreign private sector banks started coming on the

*Governor Rahman's Speech at Dhaka School of Economics on 06 October 2012 at Diploma Engineers' Auditorium, Kakrail, Dhaka

scene; lending and deposit interest rates were freed up early in the decade of nineteen nineties; credit priced according to fund costs and borrower risk profiles phasing out directed lending. By mid nineteen nineties Taka was declared fully convertible for current international transactions; greater flexibility was brought about in exchange rate setting with a view to protecting external competitiveness. Restrictions on inflows and outflows of non-resident owned capital were done away with, except in short-term Taka money markets. Transition to full market based flexibility of exchange rate of Taka in May 2003 marked the culmination of the liberalization processes.

The long sequence of major institutional and market reforms meant increasing range and complexity of risk exposures of our financial market participants, heightening vulnerabilities to domestic and external shocks. The traditional credit risk exposures to clients turned more complex with increasing external transactions, bringing in exposures also to their counterparties abroad; growing external transactions also entailed increasing credit and payment settlement risk exposures to correspondent banks abroad. Interest and exchange rate flexibility brought in market risks from rates volatility, inter-alia heightening liquidity risks from asset liability maturity mismatches. Operational risks of procedural glitches, frauds, forgeries, money laundering and regulatory breaches kept rising with growing complexities of financial transactions; technology risks from IT usage in coping with the complexities add to the operational risks.

Unless deftly managed and supervised, the slew of risks enumerated above can bring down banks and FIs, particularly in adverse macroeconomic or market conditions, severely undermining their solvency and liquidity. Examples of such institutional collapse are far from rare in financial history. Such institutional collapse can trigger systemic breakdown contagion to other institutions with exposure to an afflicted one. In the run up to the recent global financial crisis, aberrant motivations led many banks and FIs in advanced Western markets to misuse derivatives and other risk mitigation products for quick speculative gains. Troubles from resulting massive risk buildups in toxic assets beginning in a few large institutions spread quickly into others with exposures to these, bringing the entire global financial system to the brink of collapse.

In steering the sequence of the major market reforms mentioned above, Bangladesh Bank (BB) remained mindful about timely phasing in of appropriate prudential (capital adequacy, provisioning against asset impaired assets, liquidity, etc.) requirements and risk management practices; to build up and preserve necessary resilience against possible shocks from upcoming newer risk exposures. Credit risk weighted (Basel-I) capital requirements were introduced in the nineteen eighties, alongside new asset classification and provisioning requirements broadly in line with going international practices. Following introduction of market based flexibility in interest rates and exchange rates of Taka, Bangladesh Bank supervisory staff teams worked together with commercial bank staffers in drawing up a set of guidelines for management of core risks in banking (credit risks, asset and liability/balance sheet risks, FX risks, internal control/compliance risks, money laundering risks) in line with going international practices. These were introduced in 2003 as minimum required standards for banks, with BB's onsite and offsite supervision monitoring compliance. These guidelines have undergone further subsequent revision and updating, and a new set of guidelines for managing IT risks were issued in 2010. In line with global developments in financial sector regulation, the credit risk weighted Basel I capital adequacy requirements in Bangladesh were replaced in 2010 by new Basel-II capital adequacy requirements weighted also for market risks and operational risks, besides credit risks. Heightened post global crisis concerns for financial stability has led to recent further revision of global best practice standards for capital adequacy and liquidity; the new Basel-III capital and liquidity framework seeks to enhance the level and quality of capital with higher emphasis on common equity in tier-I capital. The Basel III framework also introduces new leverage, liquidity coverage and stable funding coverage ratios to be maintained. Preparatory work for Basel III implementation in Bangladesh financial sector is ongoing, for full implementation by the 2018 deadline or earlier.

Heightened concern for financial stability following the global financial crisis has also brought into widespread usage the Stress Testing of resilience of financing institutions against probable shocks from adverse macroeconomic or market conditions. Bangladesh Bank introduced quarterly stress testing routines in banks from 2010, to assess vulnerabilities of their capital adequacy and solvency in stress or shock scenarios. Stress testing guidelines issued by Bangladesh Bank in April

2010 were updated in February 2011. Staffers in our banks and in Bangladesh Bank supervision departments trying out stress testing exercises in our banks and in BB's supervision departments are at relatively early stages of learning curve, as work in progress. For some months now, onsite and offsite supervision set ups in Bangladesh Bank are undergoing comprehensive overhaul and revamp; inter-alia including creation of a new Financial Stability and Integrity Department. BB's sustained, intensive thrust on motivation and training of supervisory staff is emphasizing supervision work in well coordinated inter-departmental team approach rather than each department working separately as silos. BB's supervisory reports are now more open for public information. Earlier, annual Supervision Reports used to be prepared solely for transmittal to Government. Following international practice, these are now being made public as Financial Stability Reports.

Time now to look at how our financial sector has fared in terms of resilience and stability under BB's evolving supervision approach outlined above. Since liberation the financial sector has grown several-fold in line with sustained steady economic growth. To mention just one banking sector indicator as illustration of the spectacular growth, credit and investment assets of the banking system totaling a puny Taka 7.07 billion in December 1972 stood 654-fold higher in December 2011, at Taka 4626 billion. Number of banks, and number of bank branches have likewise increased manifold; reaching out further with off-branch financial services to excluded population segments with the help of mobile phone/smart card technologies. Because of appropriate regulatory and supervisory attention on the expanding, developing financial sector; its stability has over years been proven to be quite robust amid episodes of regional and global crises like the East Asian currency crisis of mid nineteen nineties and the global financial crisis of 2008-2009. In both these crises our financial sector remained solvent and liquid, in position to help out the real sector rather than needing any bailout for itself. Institutional failures in our financial sector have remained relatively rare. In more than four decades since liberation, a joint venture private bank and two non bank FIs, all of these small sized, ran into asset quality and solvency problems due to weak management and governance; needing Bangladesh Bank supervised restructuring. In another episode the Bangladesh branch of an international bank had to be closed down and restructured due to irregularities abroad, despite unimpaired solvency of the local operations. None of these four

episodes of Bangladesh Bank guided restructuring involved any loss for depositors, nor did these involve any publicly funded bailout. The episodes did not raise systemic stability concerns as exposures of other market participants to the small sized afflicted institutions were not large. Fallouts on financial sector from two stock market price bubble collapse episodes of 1995 and 2010 were likewise limited and easily contained.

As of now, the 11 percent overall risk weighted capital base of our banking sector exceeds Basel II regulatory requirement. Non-performing loans as percentage of total assets are at single digit levels, liquidity stresses arising from unduly high advance deposit ratios in some banks last year have eased off. Stress testing exercises conducted by us and by WB-IMF financial sector assessment missions have assessed Bangladesh's financial sector as resilient against moderate shocks. This fairly reassuring overall view does not however mean that we now have no issue in financial sector stability and resilience to be concerned about. The overall picture masks considerable variation in capital adequacy and solvency positions between bank groups, with foreign banks maintaining capital cushions well above prescribed minimum and local private sector banks generally meeting requirements but state owned banks falling well behind in asset quality and capital adequacy. Even in local private sector banks the reported low nonperforming loan levels are due in part to somewhat looser local loan classification and provisioning requirements relative to international best practices. On the whole our financial sector continues suffering from (and to some extent sharing) the general deficiencies of local business culture in respect of corporate governance and financial disclosures. Although not serious immediate threats to institutional resilience and financial stability, these deficiencies limit capacities of our banks in forging strong, deep relationships in international financial markets to attract investment inflows in volumes needed for realizing the nation's growth aspirations. The recent Bangladesh Bank revision of instructions on loan classification, rescheduling and provisioning are intended to address this shortcoming, by aligning our local standards with international norms. Bangladesh Bank intends to work further with other regulatory authorities towards faster upgrading of corporate governance and disclosure practices in the overall business environment both in the financial and real sectors. Strengthening BB's supervisory oversight will continue to remain a high priority, including specifically on risk

management, corporate governance, internal control and internal audit in banks. Exemption of state owned banks from some of BB's supervisory empowerments of Bank Companies Act stands in the way of effective supervision of these banks. Unless this differential treatment is done away with, management weaknesses from insufficient accountability are likely to linger in the state owned banks.

The discussion thus far has focused on regulation and supervision based bolstering of financial sector stability, but this stability also depends on macroeconomic balance and stability, domestic and global. The sustained stable growth of Bangladesh's economy owes largely to her balanced macroeconomic policies with cautious, responsible monetary and fiscal stances. Negative spillovers from persistent macroeconomic imbalances in large globally dominant advanced economies were the main causes of collapse of financial stability in the global crisis. Forums of global authorities (like the G-20) are yet to make significant headway in reaching any agreement on safeguards to dissuade larger economies from creating global imbalances by pursuing lax domestic policies; particularly because these forums are more preoccupied with finding ways out of the lingering economic slowdown triggered by the crisis. But revamp of financial sector regulation and supervision will not by themselves be sufficient to ensure global financial stability if absence of meaningful reforms in the global economic order continue permitting larger economies pursuing lax policies with negative spillovers on global macroeconomic balance and stability.

Redefining Central Banking: Financial Stability*

Financial sector supervision for upholding financial stability has been a longstanding traditional central banking responsibility, although in the later decades of twentieth century this got shifted to separate authorities in some countries. The global financial crisis of 2008 brought back into focus the interrelated nature of monetary and financial stability and the need for closely coordinated supervision of both. Wherever this separation took place, the central banks have got themselves reengaged in financial stability issues after the global crisis. I see this more as a return back to, rather than as redefinition of traditional central banking.

Bangladesh did not go for separation of monetary and financial sector supervision authority, both rests with Bangladesh Bank (BB), the country's central bank. Our financial sector with its limited, regulated external exposure was virtually unaffected by the global financial crisis, remaining solvent, liquid, and free of contagion from toxic assets.

Safeguarding of financial stability remains nevertheless at forefront of BB's priorities. Alongside supporting ongoing market development, we are continually upgrading our financial sector regulatory and supervisory structure, practices and capacities in line with evolving local context and international best practices. Basel II capital regime implementation has strengthened risk focus in financial sector management and supervision; work towards phasing in of the Basel III modifications is in progress.

Basel III liquidity coverage requirements are soon to be introduced, following completion of preparatory exercises. Stress testing routines have been introduced as mandatory practice in banks, to identify and address vulnerabilities. BB's prudential regulations and onsite examination/offsite supervision procedures and practices are also now risk focused, in line with international best practices recommended by Basel Committee (BCBS).

*Governor Rahman's speech on Early Intervention and Crisis Preparedness on 27 June 2012 at Toronto Centre, Canada

Supervisory CAMELS rating exercises and Early warning systems at Bangladesh Bank maintain vigilance on risk management, corporate governance and internal control processes and practices in the financial sector. A problem bank unit at BB's Offsite Supervision Department oversees restoration of weak banks to health.

BB's supervisory departments are increasingly focusing on consolidated supervision of banks/FIs and their subsidiaries, as also on closer contact and information exchange between host country and home country supervisors for effective supervision of banks with branches/subsidiaries across borders.

A new Financial Stability Department has been created in Bangladesh Bank for focused oversight of systemic stability related issues, taking over from the offsite supervision department tasks like conducting of stress tests and forward looking assessments of banks. Creation of contingency planning and crisis management structures are also underway. Efficacy of BB's financial sector supervision is evidenced by relative rarity of bank/finance company failure episodes, four in as many decades since independence. In all these cases Bangladesh Bank restructured the failing institutions into viable ones without involving any fund of its own and without causing loss for depositors and other creditors.

Nonetheless, Bangladesh Bank is not complacent and is fully aware of gaps and weaknesses in capacity of coping with existing and upcoming challenges, including impacts of fiscal and other macroeconomic imbalances of domestic and external origin. Accordingly, we are keenly pursuing bolstering of defenses against financial instability by continual upgrading of BB's empowerments and capabilities in forward looking supervision. Bringing up teams of our supervisory staff in training events at centers of excellence like this one in Toronto Center is part of these ongoing efforts.

Worthy as the global initiatives of strengthening financial stability focused supervision are, I doubt if these will be enough to avert future recurrence of instability, unless we reorient the ethos and objectives of financial markets and institutions towards socially responsible directions; seeking longer term gains from inclusive financing of all productive initiatives of all population segments instead of looking for quick gains from speculative activities.

In absence of this reorientation, even financial sectors in developed advanced economies are failing to respond to financing needs of small businesses including startups of creative, innovative entrepreneurs, creating financial exclusion and prolonging the post global crisis economic slowdown.

At Bangladesh Bank we have chosen to take catalyzing role in reorienting our financial sector's goals and ethos in socially and environmentally responsible direction, guiding the sector in mainstreaming CSR in corporate goals and objectives and launching a comprehensive well orchestrated financial inclusion campaign in which banks and FIs are participating with spontaneity and enthusiasm.

This is meaningfully helping attainment of the inclusive growth and poverty eradication goals of our government's near and longer term national development plans; by upholding healthy output and employment growth in Bangladesh economy even in the backdrop of ongoing global slowdown.

I would see the spread of similar catalytic role of other central banks in promoting socially responsible financing as a true redefining of central banking.

Bangladesh Bank: Comparative Scenario of Financial Inclusion and changes

Sl	Activities	FY2003-06	FY 2010-13	Remarks
1	GDP Growth (Average)	6.03	6.26	Despite global recession, Bangladesh economy grows smoothly. The average GDP growth in last four FYs (2010-13) was 6.26 percent which is 0.23 percent higher than that of 2003-06 period.
2	Total Foreign Remittance (bill \$)	15.08	49.94	Total foreign remittances increased more than 3 times (3.3) in the last four years relative to previous four years.
	Average Foreign Remittance (bill \$)	3.77	12.49	
3	Total FX Reserve (bill \$)	3.48	15.32	At the end of FY 2012-13 total FX reserve increased by 4.4 folds to \$15.32 billion from only \$3.48 billion of FY 2005-06. The current level of foreign reserve is equivalent to import payments of 5 months.
4	Total Export Earnings (bill \$)	32.91	90.44	Total export earnings increased by 2.8 times.
	Average Export Earnings (bill \$)	8.23	22.61	
5	Total Import Payments (bill \$)	47.73	123.90	Total import payments increased by 2.6 times.
	Average Import Payments (bill \$)	11.93	30.98	
6	Implementation of Basel Accord	Basel-1 implementation	Implementation process of Basel-II started in 2010 and was completely implemented in 2011.	Preparation of implementing capital adequacy related to Basel-III is also underway.
7	Capital Adequacy of Banking Sector (Tk. in billions)	205.78 (Dec. 2008)	498.60 (June 2013)	During the last four years, capital base of the banking sector increased by 142% or Tk. 292.82 billion.
8	Classified Loans in Banks (in %)	16.59 (June 2006)	10.03 (Dec. 2012)	Percentage of classified loans in banks declined to 7.17 percent in June 2012 from 16.59 percent in June 2006. But increasing in December 2012, it stood at 10.03 percent as new classification policies were implemented.
	Net Classified Loans (in %)	8.21 (June 2006)	4.38 (Dec. 2012)	
9	Total Agricultural Credit Disbursements (Tk. in billions)	177.79	511.05	Total credit disbursement in later four years increased by 2.9 folds relative to the amount disbursed in the previous four years. The targeted amount for agricultural credit disbursement is Tk. 145.95 billion in FY 2013-14.
	Average agricultural Credit Disbursements (Tk. in billions)	44.45	127.76	

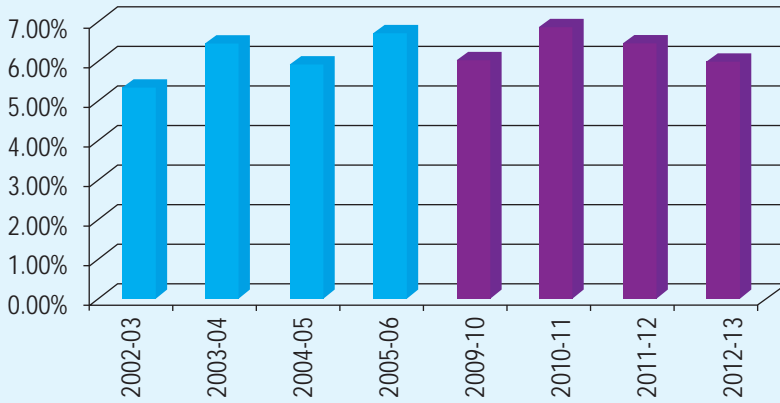
Sl	Activities	FY2003-06	FY 2010-13	Remarks
10	Number of farmers under special credit line of Tk. 5 billion for sharecroppers	No such credit line existed.	696,000	This special credit line for the sharecroppers, which started in 2009 for the first time, indeed, benefitted them by uplifting their living standard. Large numbers of loan recipients are women.
	Amount disbursed loans (Tk. in billions)		9.62	
11	Amount of disbursed loan for import dependent crops at rebate interest rate. (Tk. in billions)	No such loan facility existed.	2.28	The indicated amount was disbursed during the last three years (FY 2011-13) stabilizing the domestic market prices of those goods.
12	The number of Bank account for farmers	No such program was adopted.	9,674,000	This 10-Taka bank account for the farmers and ultra poor brought a huge number of people under banking services through huge financial inclusion in the country.
13	The number of bank accounts under social safety nets		3,562,483	
14	The number of bank accounts under school banking		224,719	
15	Amount financed under the environment - friendly refinance scheme of Tk. 2 billion. (in billion)	No such scheme was available.	1.12	Upto July 2013 Tk. 1.12 billion was disbursed through 16 banks/FIs, which started in FY 2009-10. Of which 45 percent was for solar panels and 27 percent for bio-gas plants.
16	SME loan disbursements (Tk. in billions)	-	1770.16 (2010-12)	With a view to creating employment and empowering women, Bangladesh Bank initiated a special credit program disbursing Tk. 535.44 billion and Tk. 537.19 billion and Tk. 697.53 billion respectively in 2010, 2011 and 2012. SME loan disbursement target in 2013 is Tk. 741.86 billion against which Tk. 193.52 billion has been disbursed till March 2013. It is 26 percent of the target.
17	Number of women entrepreneurs under SME refinance scheme	-	8,228	Given the importance of Women entrepreneurship development, 15 percent of the total SME fund is allocated for only women entrepreneurs.
	Amount financed under the scheme (Tk. in billions)		6.26	

Sl	Activities	FY2003-06	FY 2010-13	Remarks
18	New Banks set up	-	9	At present total number of bank branches of 56 banks is 8,427. In the last four and half FYs (2009-June 2013) approval was given to open 1527 new bank branches.
	Bank branch expansion (Number of new branches)	410	1,527	
	Agriculture/SME branches	There was no approval to open such branch	253	
19	Number of drawing arrangements	119	409	The number of total active drawing arrangements between the foreign Exchange Houses and local banks stood at 936 including the newly approved 409 arrangements during the last four and half years.
20	Number of overseas Exchange Houses permitted	Not permitted	62	During the last four years, 23 banks got approval for opening 62 exchange houses, of which 26 have already started functioning.
21	Amount spent (Tk. in billion) under Corporate Social Responsibility (CSR)	-	8.12	CSR activities are included in the mainstream banking activities since 2009. Amount spent under CSR activities increased by 5.5 folds to Tk. 3.05 billion in 2012 from only Tk. 550 million in 2009.
22	Customer services improvements	No specific structure	Established a Customer Interest Protection Centre (CIPC) benefitting customer by registering their complaints through a hot number (16236) and an e-mail(bb.cipc@bb.org.bd).	Everyday complaints are lodged through mobile, telephone, email and postal services. Separate Hotline '16236' has been set up in CIPC which has been proved very much fruitful in customer service improvement.
23	Green Banking	No specific framework	A specific policy guideline and strategic planning for Green Banking have been formulated. Bangladesh Bank has set up the largest solar panel of the country on its roof-top generating sufficient energy to light all the security lamps of the main building.	In line with international steps, Bangladesh Bank has issued Green/environment friendly banking related circular on 27 February 2011. Green banking not only affects production, business and other financial activities but also helps protect from natural calamities.
24	Digitization of Bangladesh Bank	The implementation process was slow, although the Central Banking Strengthening Project (CBSP) was set up in 2003.	About 85 software related to Networking, Enterprise Resource Planning (ERP), Banking Applications, Enterprise Data Warehouse, Open Data Initiative, E-tendering and E-recruitment have been implemented.	In the last four years, Bangladesh Bank has been able to establish itself as an IT based organization.

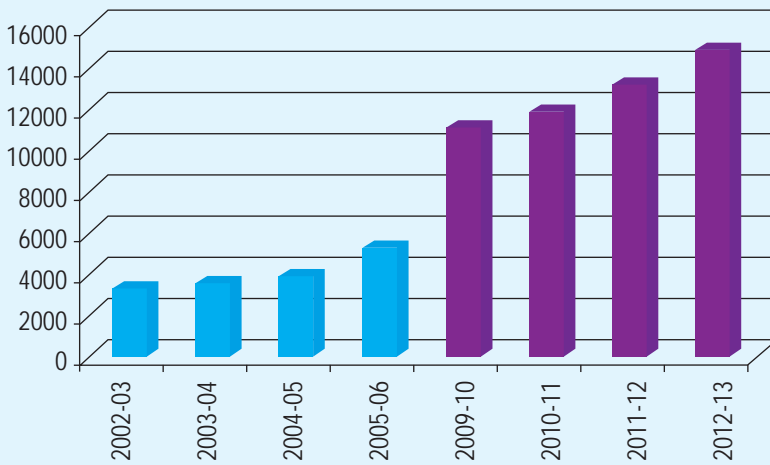
Sl	Activities	FY2003-06	FY 2010-13	Remarks
25	Digitization of banking sector	No significant development	Banking sector has been digitized through implementation of online banking, online CIB services, automated payment systems, E-commerce, mobile banking, online payment gateway etc.	Bangladesh Bank has been working for last four years to establish a completely IT based banking system in the country. Various IT based initiatives of Bangladesh Bank such as CIB online, Bangladesh Automated Clearing House, Bangladesh Electronic Funds Transfer Network, Online Banking, Mobile Banking, Enterprise Resources Planning, E-recruitment, E-tendering etc. have been moving the country towards a world of paperless banking.
26	Introductions of Mobile Banking Service	No steps were taken	26 banks were given permission for mobile banking, of which 18 banks already started their mobile banking service.	This has been done to provide banking services to the un-banked rural population.
	Number of mobile banking accounts	-	More than 6.6 million people have opened mobile banking accounts.	
27	CIB services	Based on manual service delivery system	Online CIB services system was introduced.	Long awaited CIB online service started its formal journey on 19 July 2011. With the blessing of Online CIB service, CIB report can be generated within seconds. The Online CIB service has facilitated updated online submission and generation of the credit reports of the clients at the desk level.
28	'goAML' software implementation	-	With the assistance of the World Bank, 'goAML' software has been procured in the Financial Intelligence Unit of Bangladesh Bank with a view to combating international terrorist financing and money laundering.	This software would help in detecting and analyzing suspicious transaction report (STR) and cash transaction report (CTR).
29	National Payment Switch	-	National Payment Switch (NPS) was inaugurated on 27 December 2012.	National Payment Switch would be working as a common platform for combining privately established about 3,000 ATMs and 2,500 POS switches. It would ensure faster, secure and reliable financial electronic transactions.

Sl	Activities	FY2003-06	FY 2010-13	Remarks
30	Introduction of Stress Testing System	-	Stress Testing System has been introduced to verify the risk taking ability of the banks and FIs.	Following BB's Guidelines for Stress Testing, banks and FIs are now capable of pursuing Stress Testing on their own on quarterly basis.
31	Formulation of Financial Stability Report	-	Two reports based on 2010 and 2011 have already been prepared.	This report has been able to give a clear conception of the capacity of our financial sector facing internal, external i.e. overall macroeconomic risks in the global perspective.
32	Introduction of Financial Projection Model	-	Preparatory works have already been finished to implement the Model.	If this Model is fully implemented, risk identification of each and every bank and taking necessary steps on the basis of that would be easier through realistic scenario analysis.
33	Amount (Tk. in billion) of Equity and Entrepreneurship Fund (EEF)	2.46	4.34	During 2009-June 2013, Tk. 17.52 billion has been sanctioned for 991 agricultural and 45 IT based projects, against which Tk. 4.34 billion has already been disbursed for 248 agricultural and 21 IT based projects.
34	Disbursement under IPFF Project (Tk. in billion)	No such project was taken.	4.51	An amount of Tk. 4.51 billion has already been financed for 7 small power plants and one water purification and supply project based on public private partnership under the on-lending component of IPFF project.
35	Attainment of Sovereign Credit Rating	-	Bangladesh achieved BB- and Ba3 sovereign ratings from S&P and Moody's respectively.	Two international credit rating agencies like S&P and Moody's rated Bangladesh as BB- and Ba3 respectively for the last four consecutive years (2010-13) at a stretch reflecting very stable economic, financial and banking sector of the country.

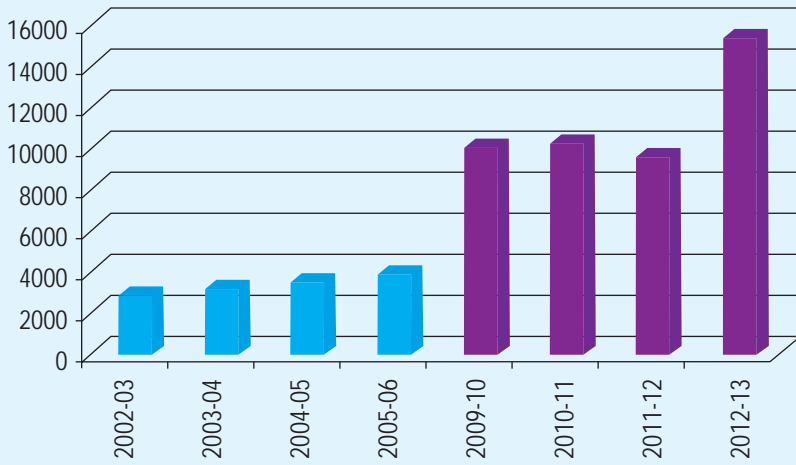
GDP Growth Rate



Remittance Flow (Million Dollar)



Foreign Exchange Reserve (Million Dollar)



Export (Million Dollar)

